

# 2020

## ANNUAL COMPLIANCE REPORT



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# 2020 | A YEAR IN REVIEW

## TABLE OF CONTENTS

Key Highlights for the Year.....	3
Leading with Integrity.....	4
Corporate Compliance Program.....	4
Conflicts of Interest.....	5
Industry Involvement.....	6
Privacy and Risk Management.....	7
Education and Reporting.....	8
Education.....	8
Group Purchasing.....	9
COVID-19.....	9
Administrative Fees.....	9
Vendor Rights and Responsibilities.....	9
Disclosure of Vendor Payments.....	9
Supplier Diversity.....	10

*To advance the highest standards of ethical behavior and integrity, and to ensure compliance with all applicable laws, rules and regulations.*

# KEY HIGHLIGHTS FOR THE YEAR

**Alan C. Sauber**, Chief Ethics & Compliance Officer

This year's accomplishments demonstrate the continued strength in ongoing collaboration between business leaders and the Corporate Compliance department toward achieving Premier's growth goals through a safe and secure process. The department also works diligently to keep the company compliant with the regulatory and certification needs of the business. Some of the major accomplishments for the year are highlighted below.

- Named one of the World's Most Ethical Companies by Ethisphere® Institute for the thirteenth consecutive year.
- Secured 100% completion of employee annual compliance education.
- Successfully won legislative amendments to the California Consumer Protection Act (CCPA) by working with the Government Affairs team to engage lobbyists, research organizations and other healthcare organizations in this effort. The result enables our research business the protections under HIPAA for use of de-identified data for current and future research opportunities.
- Through great collaboration with our Legal department, wrote COVID-19 letters for customer use of data for public health purposes, created a data dashboard for the Federal Emergency Management Association (FEMA) and executed agreements to share data with the Center for Disease Control (CDC) and the National Institutes for Health (NIH).
- Developed, with the Legal department, the company's COVID-19 workplace re-entry plan, infectious disease preparedness plan, and developed contact tracing and symptom screening processes.
- Guided our Stanson business with their development of a Clinical Decision Support tool in support of Protecting Access to Medicare Act Prior Authorization Management Application (PAMA). PAMA is legislation to advance appropriate diagnostic testing to Medicare beneficiaries. This tool assists physicians in determining when such patients qualify for testing under appropriate use criteria.
- Drafted key privacy provisions for the successful implementation of new research business for the Biogen Alzheimer's research engagement, Merck's Vaccination research engagement, RPA Bone Density research engagement and with Sanofi's Influenza research engagement.
- Completed 155 Premier Impact Assessments (PIA) and 54 customer security questionnaires in 2020.
- Successfully implemented a centralized risk management and compliance process through the adoption of OneTrust, a cloud-based solution for such controls as vendor management. OneTrust's capabilities allow us to map data across our environment, relate Premier business areas to specific vendors, improve accuracy in capturing information from both internal resources and external vendors and develop tighter information technology controls to ensure compliance with laws and regulations.

# LEADING WITH INTEGRITY

## Corporate Compliance Program

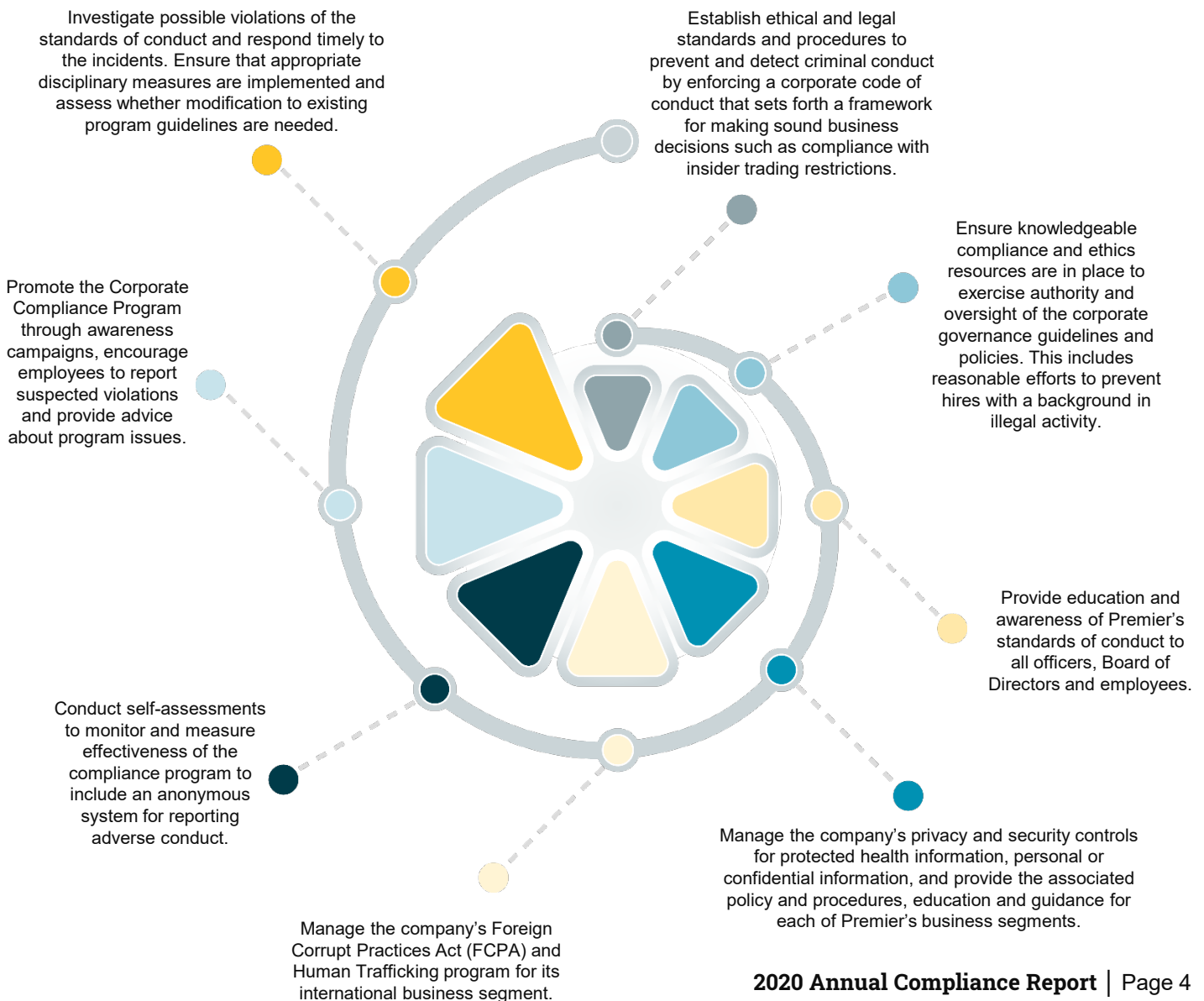
Premier's Board of Directors and executive leadership team play a critical role in promoting and maintaining a culture of integrity. Our continued success depends on each of us doing the right thing, including adhering to effective principles of ethics and legal business practices. Premier's Corporate Governance Guidelines and policies ensure that we operate in accordance with applicable laws and regulations for a publicly traded company including the security of proprietary, sensitive and protected health information as well as compliance with insider trading restrictions and other securities laws.

## Board of Directors

The Corporate Governance Guidelines assist Premier's Board of Directors in the exercise of its duties and responsibilities and to serve in the best interest of the company and its stockholders. Key areas for Directors include the Board Code of Ethics, Board Conflict of Interest Policy, Conflict Advisory Committee, conflict of interest attestations, anti-bribery and other education and quarterly dashboard reporting.

## Company

For employees, Premier sets forth its framework for operating its businesses in an ethical and compliant manner through Premier's Corporate Compliance Program. This program aligns with the Federal Sentencing Guidelines, ensures that policies and internal controls are user friendly, and meets emerging compliance and ethics standards.



# Conflicts of Interest

Premier's comprehensive policies and procedures are designed to ensure that employees, Board members, and non-employee committee and subcommittee members adhere to strict conflict of interest disclosure, divestiture and/or recusal requirements.

## Board of Directors

Board members annually disclose potential conflicts that they and/or their immediate family member or related party may have. Conflicts may include affiliation with or managerial, consulting or employment relationships, personal, equity or other financial interests, compensation relationships with any company, vendor or firm and use of non-public information, Premier property and assets. **In 2020, 100 percent of all directors disclosed and resolved their conflicts of interest in accordance with company policy.**



## Member Committees

Sourcing committee and advisory subcommittee members disclose any potential conflicts annually and before all meetings or discussions. Premier's policy does not allow sourcing committee or advisory subcommittee members and/or their immediate family members to have extensive equity in a participating vendor. **In 2020, 100 percent of all committee and subcommittee members disclosed and resolved their conflicts of interest in accordance with company policy.**

## Employees

Premier's Group Purchasing Code states that no employee of Premier or any Premier entity should own equity in any participating vendor. Upon hire, an employee is educated on both The Value of Integrity | Code of Conduct and Group Purchasing Code of Conduct. Employees complete a conflict of interest questionnaire upon hire and annually thereafter. If an employee owns an equity holding that is not permitted, he/she must disclose the conflict and then follow the Corporate Compliance department's prescribed steps to resolve it. Company-wide annual conflict of interest questionnaires launched October 5, 2020. **99.9 percent of active employees completed this coursework. 4 employees are outstanding due to their leave of absence. The remaining 0.1 percent will be resolved by January 31, 2021.**

# Industry Involvement



## Recognition

For the thirteenth consecutive year, Premier was named by the Ethisphere® Institute as one of the World's Most Ethical Companies. We were selected for this honor from among tens of thousands of companies around the world. A global leader in defining and advancing the standards of ethical business practices, the Ethisphere® Institute recognized Premier for continuing to raise the bar on ethical leadership and corporate behavior. Premier was the only company in the health information services industry recognized this year.



## Promotion

The Healthcare Group Purchasing Industry Initiative (HGPII), a voluntary association dedicated to ethical conduct and business practices, and to serve the confidence of the public and government officials, consists of ten GPOs who each commit to having its business practices be transparent to its customers, vendors and to the public and answer a comprehensive annual questionnaire known as the Public Accountability Questionnaire. This questionnaire requires detailed responses about ethics, compliance and contracting procedures.

On an annual basis, HGPII holds a Best Practices Forum for member GPO executives to share ideas, and work to improve ethics and compliance programs with their stakeholders. Forum participants include federal policymakers, ethics experts and a cross-section of healthcare supply chain vendors who gain knowledge about ways GPOs can improve communication with regulators and increase transparency to stakeholders and the general public. David Hargraves, Senior Vice President Supply Chain, was elected as the incoming chair for the new term. This will help Premier further advance our best practices within our supply chain segment of the business.



## Affiliation

To foster and promote industry-wide adoption of compliance best practices, Premier Corporate Compliance staff participate and are members of the following professional organizations: Society of Corporate Compliance and Ethics (SCCE); International Business Ethics Institute; International Association of Privacy Professionals (IAPP), American Health Information Management Association (AHIMA), Information Systems Audit and Control Association (ISACA); Information Systems Security Association (ISSA); American Institute of Certified Public Accountants (AICPA); Payment Card Industry-Security Standards Council (PCI-SSC); InfraGard. International Information Systems Security Certification Consortium (ISC<sup>2</sup>)

Premier's Chief Ethics & Compliance Officer participates in ongoing benchmarking, industry networking initiatives and speaking engagements including the Steering Committee and Working Group of the Healthcare Group Purchasing Industry Initiative (HGPII) and Quinnipiac University.

# PRIVACY AND RISK MANAGEMENT

## PRIVACY

### COVID-19 Privacy

Privacy Officers like many other healthcare professionals have been forced to navigate COVID-19 and the associated data protection and privacy risks that have arisen in its wake. The 2020 IAPP-FTI Consulting Annual Privacy Governance Report shows that privacy has become more of a priority within organizations during the pandemic. For most organizations, dealing with remote working and new workplace safety protocols have become top priorities during COVID-19, and has greatly challenged organizations to address the importance of privacy. Businesses are more likely to collect health status, temperature and travel history from employees due to COVID-19. Such new health and safety protocols within the workplace have challenged businesses to ensure that the handling of sensitive health data collected from employees and others is secure and compliant with applicable privacy laws.

**Premier's Response:** As a result, our Privacy team collaborated with Information Security, Human Resources and Legal to develop policies and procedures to govern remote work for all workforce members, as well as provide desk references highlighting the resources and tools available to transfer, store, and share confidential and sensitive data, and quarterly privacy education for all workforce members addressing HIPAA, California Consumer Protection Act (CCPA) data privacy and best practices in handling and storing confidential data. The Privacy team also created a Privacy webpage for workforce members to easily access all things privacy and data related (e.g., policies, best practice tips, links to reporting a privacy/security incident, links to courses and FAQs, etc.).

### New Privacy Developments

- Foremost among these is the July 2020 decision by the Court of Justice of the European Union (EU) in the so-called "Schrems II" case, which invalidated the EU-U.S. Privacy Shield data transfer framework and left in limbo the legal status of standard contractual clauses which many organizations have relied upon to authorize and allow the transfer of personal or sensitive data outside of the EU.

**Premier's Response:** This means that as we continue to provide services to international organizations, we must ensure that we are compliant with the applicable EU data privacy laws in the access, transfer and use of such data, and to confirm with international organizations that contractual language and any related representations meet the mandates for the EU-US transfer of data. The Privacy team will continue to work with Legal and related business segments to review agreements and reach out to our customers to ensure we work together to amend our agreements and implement processes to meet related legal compliance.

- In November, California voters approved the ballot initiative for the California Privacy Rights Act (CPRA), which amends the currently enforced California Consumers Protection Act (CCPA) and essentially serves as enforcement legislation for CCPA. CPRA is scheduled for implementation on January 1, 2023 with a look-back period to January 2022.

**Premier's Response:** In preparation for CCPA and in anticipation of CPRA, we implemented new policies and processes to ensure compliance with the law and the personal rights of individuals. We continue our efforts in California by actively engaging counsel who worked closely with the Public Affairs department and Chief Privacy Officer, while also engaging multiple influencers in California with the goal to amend CCPA. Our efforts were successful in getting California lawmakers to amend the law to provide protection of de-identified information under HIPAA. This outcome enables us to continue our ongoing research activities and to grow our partnership with life science companies through offering our large de-identified database.

## RISK MANAGEMENT

In 2020, the Risk Management team took a hard look at our Governance, Risk and Compliance (GRC) platform's ability to meet current and projected needs while working with ITS leaders to develop a GRC that better meets our business needs. The new platform provided an improved ability to identify control breakdowns and exposed inadequate processes. Moreover, the platform provides a more effective way to develop IT controls that work in tandem with our business objectives. We achieved tighter alignment with the business and refined our programs in a manner that kept our independence yet met the company's obligations and business goals. The team also created a "Security Assurance Story". This story built a high level of trust with our customers through our ability to articulate and evidence the way we defend their assets, meet compliance and market criteria, and implement the right technologies that keep our valuable assets safe.

## Education

The following is a summary of the compliance educational programming completed in 2020.



# EDUCATION AND REPORTING

### Board Governance

Board members completed an online course that reviewed the Board Code of Ethics, Insider Trading Policy, Conflict of Interest Policy, Compliance Policy, Anti-Bribery Policy and Human Trafficking Policy. In addition, this course provided an overview of governance, risk and compliance. **In 2020, 100 percent of the Board of Directors completed governance education.**

### Anti-Corruption/ Human Trafficking

Premier continued to engage the International Business Ethics Institute to develop and deliver the annual education to review Premier's Anti-Bribery and Human Trafficking policies and increase knowledge of when and where to seek advice. **In 2020, 100 percent of S2S Global employees completed this education.**

### Employee Compliance

As part of Premier's annual compliance education, employees completed an interactive course that provided an overview of our Code of Conduct. It explained why we have a Code and employee responsibilities related to our Code. The course reviewed the following compliance topics: careful communications, ethical leadership, information security, insider trading and social media. **In 2020-, 100 percent of employees completed this education.**

### Group Purchasing Code of Conduct/ Confidentiality Policy/Conflict of Interest Policy/Insider Trading Policy

All sourcing committee and advisory subcommittee members received education this year on Premier's Group Purchasing Code of Conduct, Confidentiality Policy, Conflict of Interest Policy and Insider Trading Policy. **In 2020, 100 percent of committee and subcommittee members completed this education.**

### Health Insurance Portability and Accountability Act (HIPAA)

Workforce members completed company-wide HIPAA awareness education on how to properly obtain, use, share, maintain and transfer protected data. **In 2020, 100 percent of workforce members completed this education.**

### Medicare Parts C and D Fraud, Waste and Abuse (FWA) and General Compliance

As part of Premier's annual compliance education, employees completed online education courses on Medicare Parts C and D FWA and general compliance programs to satisfy the Medicare Parts C and D plan Sponsors annual general compliance education requirements per the Code of Federal Regulations (CFR) and sub-regulatory guidance. **In 2020, 100 percent of employees completed this education.**



# GROUP PURCHASING

## COVID-19

In support of our member's needs, we developed a new Expedited Sourcing Process to with a goal to expedite vetting and contractual activity for adding suppliers to product or service categories which are experiencing product or service allocation, disruption and/or shortages as a result of higher demand and supply chain pressures. The process had to also meet both our Code and legal requirements and was only to run for a limited period of time. Through a united effort, representatives from Corporate Compliance, Legal and the GPO met regularly over a nine-month period and successfully implemented the process producing 108 contracts across 1,100 suppliers yielding \$10M of member spend.

Despite the adverse impacts of COVID-19 on the GPO such as the need to extend the contract term length in 66 of our 2,715 GPO supplier agreements, the GPO was able to meet 95.7% of its scheduled contract launches. This compares favorably to 90.2% in 2019 and 85.6% in 2018. GPO leadership exercised sound judgment with these extensions in order to meet member demand and preserve low costs in the midst of COVID-19.

## Administrative Fees

Our administrative fees are standardized for each competitive bidding process and stated in advance to all bidders in a category unless economic conditions require a different structure in the best interest of members. Our group purchasing agreements do not impose up-front administrative fees from participating vendors and prohibit administrative fees in the form of vendor equity.

During calendar year 2020, 9.9% of Premier contracts had administrative fees above 3% compared to 9.0% in 2019. All fees are disclosed and reported per Federal Regulatory Safe Harbor provisions.

## Vendor Rights and Responsibilities

Our success is firmly rooted in developing mutually beneficial relationships with our vendors. Premier's Supplier Guide outlines these expectations including a statement of vendor rights and responsibilities and is publicly available on Premier's website. Premier takes vendor grievances seriously and offers several ways to resolve possible issues. Premier has its own vendor grievance process to ensure a vendor's ability to access Premier's contracting staff and leadership to address concerns or complaints relating to the contracting award process or decisions. A vendor may also submit an inquiry related to the contracting process or award decisions. In most instances, this latter process is sufficient to address a vendor's concerns.

In addition to Premier's vendor grievance process, a vendor may request further review of any outstanding concerns through the [Heathcare Group Purchasing Industry Initiative \(HGPII\) Independent Evaluation Process](https://hgpii.com/what-we-do/) (<https://hgpii.com/what-we-do/>). In order to facilitate the HGPII Evaluation, HGPII utilizes the services of the American Arbitration Association® (AAA), an organization that provides alternative dispute resolution services. Premier's vendor grievance process is not intended to waive any rights the vendor or Premier may have related to the enforcement of binding arbitration or any other legal rights and remedies.

For the calendar year ending in 2020, there were no grievances filed by suppliers.

## Disclosure of Vendor Payments

Consistent with Medicare safe harbor rules pertaining to the reporting of GPO administrative fees, Premier annually discloses to its alliance members the amount of administrative fees received with respect to purchases made by or on behalf of the member through Premier's group purchasing agreements. In its annual financial reporting to alliance members, Premier also discloses the aggregate vendor payments.

Premier may engage in business relationships with participating vendors which include the sale of Premier products and services to participating vendors or any other type of arrangement where money flows from participating vendors to Premier. A participating vendor is a company that has a contract, or submits a formal bid or offer to contract, to provide goods or services to alliance members. These relationships have no bearing on GPO contracting decisions and are publicly disclosed on Premier's company website. This disclosure does not include business relationships that exist to purchase goods and services that are utilized by Premier to carry out its general business operations so long as the terms of the arrangements reflect fair market value for the goods being purchased.

## Supplier Diversity

As an organization built on the foundation of transforming healthcare within communities across the country, Premier recognizes that supplier diversity is an important component of our members' success. Diverse suppliers help our hospitals create jobs and improve life in the communities they serve. With the recent hire of Premier's first Chief Diversity and Inclusion Officer, the Supplier Diversity program will remain under the guidance and direction of the GPO; however, the program will be reflected as a pillar under the Diversity, Inclusion and Belonging strategy. We will evolve our strategies to continue the focus on socio-economic development and growth of communities through MWBE+ partnerships. The use of program mass and will drive better healthcare outcomes, strengthen local economies and develop a more robust supplier diversity ecosystem for the healthcare industry.

Premier's Supplier Diversity Program supports our members by:

- Ensuring diverse suppliers are proactively considered for contracting opportunities.
- Supporting and facilitating procurement from diverse suppliers.
- Encouraging contracted suppliers to support and procure from diverse suppliers.
- Increasing the number of small, diverse and regional enterprises doing business with members of the Premier alliance through Premier's Sourcing Education and Enrichment for Diverse and Small Suppliers (SEEDS) Program.
- Including diverse suppliers in our contract portfolio. In 2020, 12% of Premier's contract portfolio was comprised of diversity suppliers and included agreements with minority, women, veteran and small business enterprises compared to 15% in 2019.





Premier, Inc. (NASDAQ: PINC) is a leading healthcare improvement company, uniting an alliance of more than 4,100 U.S. hospitals and health systems and approximately 200,000 other providers and organizations to transform healthcare. With integrated data and analytics, collaboratives, supply chain solutions, and consulting and other services, Premier enables better care and outcomes at a lower cost. Premier plays a critical role in the rapidly evolving healthcare industry, collaborating with members to co-develop long-term innovations that reinvent and improve the way care is delivered to patients nationwide. Headquartered in Charlotte, N.C., Premier was named one of the World's Most Ethical Companies® 13 years in a row and is passionate about transforming American healthcare.