

NRJ 12/19/08  
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# HEALTHCARE GROUP PURCHASING INDUSTRY INITIATIVE

## 2008 Annual Public Accountability Questionnaire

**Purpose:** Each Signatory of the Initiative pledges to: (a) follow a set of six core ethical and business principles and each of their components (i.e., The Health Care Group Purchasing Industry Code of Conduct Principles); (b) report annually on adherence to these principles using an Annual Public Accountability Questionnaire; and (c) participate in an Annual Best Practices Forum to discuss best ethical and business conduct practices with other GPO representatives and interested parties.

The Initiative is committed to transparency and public accountability. One of our six fundamental Principles states: "Each Signatory is accountable to the public." In keeping with this Principle, the responses to this annual questionnaire will be displayed on the Initiative's web site for public review.

Please read each question carefully and respond fully to help us meet this commitment. The Coordinator will contact the GPO person responsible for completing this Questionnaire should the Coordinator require clarification or additional information.

### Instructions for Preparing Responses:

- Provide a separate response for each sub-question listed in the boxes below.
- Provide electronic links to documents which are available online for each question.
- Do not include any information you consider competitively sensitive.
- Provide additional supporting documents for responses if not electronically linked. These documents are to be submitted on a confidential basis to the Initiative Coordinator who will review them and then return them to the company after he or she approves the questionnaire for posting on-line and completes the Summary Report. These materials will not be shared with other GPOs.
- In collating the "supporting documents," no GPO needs to submit internal documents which are covered by the attorney-client or work-product privilege, or which contain competitively sensitive information. However, each GPO should submit information adequate to allow the Initiative Coordinator to have confidence that each answer is "responsive, complete and accurate." (language adopted by Steering Committee).
- The GPO's Chief Executive Officer and Compliance Officer are required to sign the cover letter indicating review and approval of the GPO's Public Accountability Questionnaire submission and that the GPO is in compliance with the Healthcare Group Purchasing Industry Code of Conduct Principles.

**1. Please describe the key components of the GPO's written code of business ethics and conduct. (Please provide a copy and describe any changes since the last submission.)**

Please assure your response includes:

- 1.1. The title of the GPO's written code of business ethics and conduct.
- 1.2. Summary of the key components of the GPO's written code of business ethics and conduct.
- 1.3. Identification of changes that have been made to the written code of business ethics and conduct since last year.

1.1 CHCA's commitment to integrity, ethics and transparency and compliance with the law is described in its compliance program. The cornerstone of the program is the written code of business ethics and conduct is CHCA's Compliance Program: Code of Conduct adopted by the Audit and Compliance Committee of CHCA's Board of Directors that provides employees and Owner Hospital representatives with the resources necessary to conduct CHCA business in a responsible manner.

**Links**

Exhibit 1 CHCA Ethics and Compliance Program, Code of Conduct

1.2 The Compliance Program provides CHCA Employees, Board of Directors, Board Committees and Advisory Council members, long term contractors and Owner Hospital representatives with the tools and structure to responsibly conduct CHCA business. Key elements of the Compliance Program include, but are not limited to:

- Conflict of Interest Policy
- Gift and Entertainment Policy
- Investment Policy
- Business practices related to contracting activities
- HIGPA Code of Conduct
- CHCA Standards of Conduct
- GPO safe harbor and antitrust compliance policies

1.3 Consistent with industry best practices to consistently evaluate and promote program effectiveness, CHCA reviews and considers program improvements at least once each calendar year. The most recent material changes were approved by the Audit and Compliance Committee of the Board on November 13, 2007, with the 2008 annual review conducted in the spring.

CHCA's Corporate Compliance Officer presents suggested revisions to the Audit and Compliance Committee for consideration and the Committee may approve or reject any revision. Only revisions approved by the Committee members are implemented.

Over the past several years, CHCA has supplemented the Compliance Program with new internal control measures and policies in the spirit of Sarbanes Oxley. The process and outcomes are overseen by the Audit and Compliance Committee at its regular meetings and facilitates audit procedures related to CHCA compliance and finance processes.

**2. Please describe the GPO's policies and procedures that address conflicts of interest for all employees and clinical advisory members in a position to influence contracting decisions and for all other employees and members of the Board of Directors and/or the GPO's governing body.**

Please include in your answer:

- 2.1. Who is covered by your conflict of interest policies?
- a) All employees or employees directly involved in purchasing?
  - b) All executives of the company or those directly supervising purchasing activity?
  - c) The board of directors?
  - d) Members of clinical advisory committees?
  - e) Any other groups?
- 2.2. What are the primary conflict of interest constraints for each of the categories listed in the question above?
- a) No equity investments in participating vendors or disclosure of equity investments? (Or no investments above a threshold dollar level?)
  - b) No service on boards of directors of participating vendors or disclosure of board of director positions?
  - c) Are gifts allowed to be accepted from or provided to vendors? If yes, please describe the limitations.
  - d) Are meals or entertainment allowed to be accepted or provided to vendors?
  - e) Other constraints?

2.1 CHCA's Code of Conduct, which includes the conflict of interest policy applies to all CHCA personnel, as well as contracted temporary staff, non-employee Officers, Directors, Advisors or members of any committee of the Board of Directors.

An updated list of CHCA and Premier vendors is published quarterly at <http://www.chca.com/contracting/index.html>

**2.2 Employees**

2.2 a CHCA employees may not have an "individual equity interest" in any Vendor with whom CHCA or Premier has a contract or is negotiating a contract (i.e., stock, securities, options, warrants, debt instruments including loans, or rights to acquire any of the foregoing in a Vendor, but does not include mutual fund investments). This prohibition of individual equity interest also applies to Vendors who have indicated an interest in pursuing a contract with CHCA or Premier (or CHCA's then current GPO partner, if any, at that time). An employee's immediate family may have individual equity interest with contracted or potential vendors but this ownership must be disclosed annually to CHCA and the employee must recuse himself or herself from discussions and decisions related to contracting activities for such Vendor.

2.2b CHCA employees may participate in boards, advisory councils or committees of its purchasing partner(s). CHCA personnel are discouraged from serving on vendor boards or advisory boards falling outside this definition. Prior to serving on a board or advisory board of a vendor or in a similar consulting capacity, the employee shall notify and receive approval from the CHCA President and the Compliance Officer.

2.2c-e CHCA employees are prohibited from accepting gifts, entertainment, favors, honoraria, personal service payments and discounts from vendors or potential vendors with whom CHCA or Premier (CHCA's contracting partner) contract or may contract (whether for goods or services to be provided to Affiliates, CHCA, or both), or

from their owners, affiliates, relatives or friends. This prohibition applies to gifts, entertainment (which includes an in-home stay), etc., including business meals, other than those of Nominal Value. Nominal Value is defined as less than \$50 per incidence or \$100 per calendar year. Any item that cost less than \$10 will not be counted toward the \$100 per year limit. If an employee or contracted temporary staff member is in an awkward position where acceptance of the gift is necessary to avoid embarrassment, the employee must notify the Compliance Officer as soon as practical, but no later than two weeks afterwards. Arrangements will then be made to either return the gift or to take other appropriate remedial action.

## 2.2 Non-Employees

2.2a-e Non-employees may own individual equity interest in vendors and are not prohibited from participating in service on vendor boards of directors. Any non-employee CHCA forum member, or member of the Board of Directors or a committee of the Board of Directors of CHCA, who is in a position to influence the GPO contracting decision and who has individual equity interest in any participating vendor, must disclose such ownership, including interests held by immediate family members, to the related forum or to the CHCA governing Board and must recuse himself or herself from any negotiations or decisions relating to such participating vendor. Likewise, any participation on boards of contracted vendors must be disclosed by the non-employee in a position to influence contracting decisions for the purposes of recusal from discussions relating to that vendor.

Non-employee representatives from Owner Hospitals who serve on or participate in CHCA committees are discouraged from accepting gifts, discounts, entertainment, favors, honoraria or personal service payments (normal business luncheons and dinners are excluded). However, vendor-paid visits to review and evaluate the Vendor's products, capital equipment and/or services are included in this definition. Any non-employee member of a CHCA committee in a position of influencing a contracting decision, must disclose acceptance of any gift, discount, entertainment (which includes an in-home stay) other than those of Nominal Value from any vendor with whom CHCA contracts either directly, or indirectly through Premier. S/he shall be recused from any negotiations or decisions related to such vendor for a period of one year from the date of such transactions. Nominal Value is defined as less than \$50 per incidence or \$100 per calendar year. Any item that cost less than \$10 will not be counted toward the \$100 per year limit.

All such disclosures are recorded in the minutes and reported to the Audit and Compliance Committee of the Board on an annual basis.

## 3. Please describe the GPO's policies and procedures that address activities, including other lines of business of the GPO and the GPO's parent company or affiliates, that might constitute conflicts of interest to the independence of its purchasing activity.<sup>1</sup>

Please include in your answer:

- 3.1. List other lines of business or investments of the GPO or affiliates.
- 3.2. List other lines of business or investments of its parent company or parent affiliates.
- 3.3. What other services does the GPO and its parent company and/or affiliate sell to vendors?
- 3.4. What policies or guidelines does the GPO have to address any potential conflicts of interest with regard to other lines of business within the GPO and/or its parent or

<sup>1</sup> Business concerns, organizations, or individuals are affiliates of each other if, directly or indirectly, (1) either one controls or has the power to control the other, or (2) a third party controls or has the power to control both. ( See 48 CFR, Section 9.403 (2007); Securites Act, Sec. 16, 15 USC 77p(f))

affiliated companies?

- a) Does the GPO and/or its parent or affiliated companies have either a policy to ensure that it does not accept a corporate equity interest in any participating vendor or a policy to mitigate against this potential conflict of interest?
- b) Does the GPO and/or its parent or affiliated companies accept any vendor fees relating to conference sponsorship or exhibit booth space or have a policy to guard against any potential conflict of interest relating to vendor participation in industry trade shows?
- c) Does the GPO and/or its parent or affiliated companies accept any grants for educational programs or other projects from vendors or have a policy to guard against any potential conflict of interest relating to such donations?

3.1 CHCA's mission is to provide value-added business support services and act as a catalyst to enable its Owner Hospitals to improve quality and enhance performance. CHCA, an alliance of non-competing children's hospitals, helps advance the safety and quality of care provided to children by offering tailored business solutions. Owned and governed by 44 of North America's leading children's hospitals, CHCA magnifies the efforts of individual organizations by offering collaborative services and projects that enhance health care and operational processes. Service lines include:

- Children's Hospital Knowledge Exchange: LMS software and pediatric-specific online training designed specifically for children's hospitals.
- Data services and analysis: web-based data providing clinical, operations and financial benchmarking indicators
- Best practice and knowledge spread: rapid cycle performance improvement and revenue cycle and operations improvement through strategy development, networking communities
- Research and development function: identifies and develops future pediatric health care strategies, assesses and monitors new knowledge, infrastructure and program development
- Efficiency in purchasing: aggregation of group purchasing for med/surg and pharmacy products, vaccines, as well as insurance services and products

3.2 CHCA is a stand-alone business alliance with no parent company. Two independent venture capital investment entities, CHIC I and CHIC II, were established in 1999. There are no group purchasing agreements with vendors in either CHIC fund. Both CHIC entities are now in the process of orderly liquidation.

3.3 CHCA does not market its services to vendors. The service lines focused on performance improvement and knowledge transfer available to its Owner Hospitals described in 3.1 are independent of group purchasing activity, proprietary and may only be sold to vendors or health care industry entities with the approval of Owner Hospital representatives (i.e., Advisory Committee members and the Board of Directors).

3.4 CHCA does not own equity interest in any vendor or potential vendor. Nor does it accept any vendor fees relating to conference sponsorship or booth space. Further, CHCA does not accept any grants for educational programs or other projects from vendors.

**4. Please describe the GPO's policies with regard to disclosing to members money or value received from vendors, whether in the form of administrative fees, marketing fees, partnership incentives, equity or any other form.**

Please include in your answer:

- 4.1. Does the GPO make annual disclosures of administrative fees received from vendors for contracting activities with respect to the member's purchase of products and services?
- 4.2. Does the GPO disclose to members all payments other than administrative fees the GPO received from any vendor in the course of the GPO's group purchasing activities, whether from the purchasing activity of those members or not?
- 4.3. Does the GPO accept marketing fees?
- 4.4. Does the GPO accept partnership incentives?
- 4.5. Does the GPO accept equity?
- 4.6. Does the GPO accept upfront fees?
- 4.7. Does the GPO accept honoraria?
- 4.8. Please describe the GPO's policy with respect to administrative fees received on purchases made by an ineligible member (e.g., a policy regarding the return of such administrative fees to the applicable vendor.

4.1 Yes. In conjunction with the Federal Anti-kickback statute GPO safe harbor, CHCA fully discloses in writing on an annual basis the administrative fees received from each vendor for the purchases made by or on behalf of each group purchasing customer.

4.2 Yes. CHCA discloses to each Owner Hospital and GPO customers, on an annual basis, all other payments CHCA receives from any vendor in the course of group purchasing activities regardless of whether these vendor payments are related to the group purchasing activity of the specific customer.

4.3 No. CHCA does not accept marketing fees.

4.4 No. CHCA does not accept any partnership incentives.

4.5 No. CHCA does not accept equity or own equity in any vendor.

4.6 No. CHCA does not accept any upfront fees from any vendor.

4.7 CHCA employees may be reimbursed for reasonable travel and related incidental expenses and receive fees, not to exceed fair market value, in the form of cash only. The employee shall turn over to CHCA all such fees related to said representation. Information related to any CHCA employee participation as a consultant to, or of boards or advisory boards of a vendor will be included in the compliance reports to the Audit Committee and Board of Directors. Any employee serving as a consultant to a vendor or on a board or advisory board of a vendor must disclose this relationship and recuse himself/herself from any contracting discussions or decisions with respect to such vendor.

4.8 CHCA's contract length and grouping policy requires CHCA to return to the vendor any material administrative fees received on purchases made by an expired or ineligible customer.

**5. Does the GPO disclose to each member all fees, in any form, paid to the member organization?**

Please include in your answer:

- 5.1. Describe your disclosure practices.
- 5.2. Does the GPO pay fees to members upon the signing or re-signing of a participation agreement with the GPO or the joining or renewal of membership in the GPO program?

5.1 Annually CHCA fully discloses to each Owner Hospital all fees paid to that customer. Any rebates, corporate bonuses or discounts received from vendors are tracked, disclosed and returned to CHCA Owners a minimum of annually. In addition, CHCA returns any rebates and administrative fees received on purchases made that do not correspond to a current, identified participant in the CHCA group purchasing program.

5.2 CHCA does not pay Owner Hospitals or other group purchasing customers any fees upon the signing or resigning of a participation agreement.

**6. Please describe the GPO's publicly available description of its bid and award process which includes the following principles similar to those embodied in the Federal Competition in Contracting Act?**

Please include in your answer:

- 6.1 Does the GPO have a publicly-available description of its bid and award process?
- 6.2 Is the description on a public website or sent to those who inquire, or provided in some other way?

6.1 CHCA has a publicly-available description of the bid and award process. CHCA believes its process embodies the key principles contained in the federal act and reflect the values, code of conduct and principles embodied in the HIGPA and HGPII organizations. CHCA's Owner Hospitals drive its contracting activities and contracting process. The Supply Chain Executive Committee is composed entirely of hospital representatives who are responsible for determining the contract award criteria and awarding vendor contracts.

6.2 CHCA's bid and award process description is posted on the company's public website. In addition, a link is also provided to the CHCA bid calendar highlighting product and service categories including description, status, purpose and date of notification.

**6i. Please describe the GPO's requirements for how items or services to be purchased are generally identified and published so they are accessible to potential vendors.**

Please include in your answer:

- 6i.1. Does the GPO publish to all vendors the decision criteria used to award potential contracts? Where is it available?

6i.1 CHCA posts detailed instructions of requirements and processes for products on the website. A calendar of contract negotiations is also available online, updated monthly and accessible to any vendor interested in contracting with CHCA.

The contract decision on which potential vendors are evaluated include but are not limited to:

- Quality
- Safety
- Clinical impact
- Cost effectiveness
- Physician preference
- Premier does not have a contract and will not contract for product or technology
- Environmental impact
- Diversity
- Breakthrough potential
- Owner recommendation and input
- Quantitative value provided to Owner Hospitals
- Pediatric hospital usage
- Innovative technology

The Supply Chain Executive Committee closely reviews each bidding vendor's response on the Product Information Form and additional research performed during the due diligence process. CHCA staff is available to all bidding vendors to clarify any questions about requirements and negotiation processes.

**Links:**

Vendor Guidelines for Pursuing New Contract Opportunities [http://www.chca.com/mm/pdf/vendor\\_guidelines\\_for\\_contracting.pdf](http://www.chca.com/mm/pdf/vendor_guidelines_for_contracting.pdf)

CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)

- Contract Status Calendar and Notification of Awards
  - Criteria to Promote Competitive Contracting and Equality in Consideration for Potential Contracts
- Contract Status Calendar

**6ii. Please describe the GPO's disclosure requirements regarding how vendors are to be identified as a responsible bidder.**

Please include in your answer:

- 6ii.1. Does the GPO publish the general requirements to be considered a responsible bidder?  
6ii.2. Does the GPO publish specific requirements to be considered a responsible bidder in each specific contract category?

6ii.1 CHCA discloses notices of upcoming negotiations and the specific requirements to be identified as a responsible bidder on its public site, "Contracting with Us" found at <http://www.chca.com/contracting/index.html>.

6ii.2 Yes. CHCA designates the various contract categories available and all of the criteria listed on its website appear throughout its contract templates. Every potential vendor in the respective group purchasing product category receives the same information and notification of requirements necessary to be considered a responsible bidder.

**See Attached Documentation:**

CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)

- Contract Status Calendar and Notification of Awards
- Disclosure of Requirements to be a Responsible Vendor

Contract Status Calendar, <http://www.chca.com/contracting/index.html>

**6iii. Please describe the GPO's policy with regard to whether all responsible vendors are eligible to compete and receive a contract award under the criteria.**

Please include in your answer:

6.iii.1. Are all responsible vendors eligible for every contract award, or are there specific requirements for each bid process to be considered for an award?

6iii.1 All responsible vendors are eligible to compete for a contract award if they meet the criteria as set forth in CHCA's Disclosure of Requirements to be a Responsible Vendor policy published on the public website.

**6iv. Please describe how the criteria for selection of a vendor is identified and publicized to potential vendors, and followed.**

Please include in your answer:

6iv.1. Are the criteria by which a winning vendor will be selected identified to all bidders?

6iv.2. Does the GPO have a process to assure that the criteria are followed in the actual awards?

6iv.1 Criteria for evaluation and selection of bidders are identified and publicized to potential vendors on the CHCA website under, "Contracting with Us" found at <http://www.chca.com/contracting/index.html>. When the successful bidder is selected, CHCA's Contract Manager discloses to unsuccessful bidders the vendor selected to receive the contract and the specific criteria which were decisive in the committee's decision.

**See Attached Documentation:**

Exhibit 6 CHCA Policies and Procedures for Prospective and Contracted Suppliers,

[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)

- Disclosure of Requirements to be a Responsible Vendor
- Criteria to Promote Competitive Contracting and Equality in Consideration for Potential Contracts
- New Product/Innovation Review and Evaluation

6iv.2 Both CHCA's Contract Manager and the Group Purchasing Services Senior Vice President work closely with the Owner Hospital executive committee to ensure compliance during the contract negotiation, review process and the communication of awards. Executive committee meeting minutes are meticulously maintained by staff, as are thorough due diligence materials required by the committee in its deliberations. The group purchasing Advisory Council is also responsible for program oversight. These processes ensure that the impartial process and criteria are followed per CHCA policy.

**6v. Please describe GPO's practice with regard to having a fair and unbiased system for evaluating products and services considered for procurement.**

Please include in your answer:

6v.1. Does the GPO have such a system?

6v.2. Describe the process by which products and services are evaluated.

6v.1 Owner Hospital representatives comprising the Supply Chain Management Executive Committee ensure hospital and group purchasing customer concerns are thoughtfully considered. This entity provides accountability in maintaining a fair, objective and unbiased system for evaluating products and services in the best interests of the providers.

**Links:**

CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)

6v.2 Potential contracting opportunities are discussed with appropriate Owner Hospital representatives (e.g., clinicians from ad hoc focus groups) and Owner Hospital utilization and evaluation data is evaluated. The Owner Hospital executive committee responsible for purchasing activities reviews all available data and recommendations from the staff and focus group(s) and renders the final decision. Rationale for all decisions is documented on a standard due diligence form and in executive committee meeting minutes.

**Links:**

Supply Chain Executive Committee Agendas and Meeting Minutes  
CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)

- Criteria to Promote Competitive Contracting and Equality in Consideration for Potential Contracts
- CHCA Contracting Due Diligence Report

**6vi. Please describe how this practice includes a preference for competitive procurement.**

Please include in your answer:

1. Describe your policies that support competitive procurement.

6vi. CHCA policies promote competitive procurement whenever possible. Its bid and award process is designed to leverage competition and provide providers with access to purchase the best quality products at the lowest price when multiple vendors are present. CHCA also engages in “custom contracting” whereby, at the initiative of an Owner Hospital(s), a single vendor negotiation for additional discounts or value-adds to Owner Hospitals may be pursued. In such cases, CHCA documents that members have initiated the process and requested a particular vendor.

CHCA posts detailed instructions of requirements and processes for products on the website. A calendar of contract negotiations is also available online, updated monthly and accessible to any vendor interested in contracting with CHCA. In addition, all of the criteria listed on CHCA’s website appear throughout its contract templates. Every potential vendor in the respective group purchasing product category receives the same information and notification of requirements necessary to be considered a responsible bidder.

Owner Hospitals and group purchasing customers are not prohibited from purchasing products directly from any vendor.

In its procurement efforts, CHCA policy supports increasing the sales and participation of qualified minority and female-owned businesses and to link them to our corporate and business partners whenever possible. Member management plays a vital role in this effort, identifying appropriate minority and female-owned contractors and subcontractors for CHCA and its vendors.

**See Attached Documentation:**

- CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)
- Criteria to Promote Competitive Contracting and Equality in Consideration for Potential Contracts
  - New Product/Innovation Review and Evaluation
  - Disclosure of Requirements to be a Responsible Vendor

**6vii. Please describe the GPO's policy with regard to the appropriate use of single, sole, dual, and multi-source procurement.**

Please include in your answer:

- 6vii.1. Does the GPO have a policy for sole, dual and multi-source procurement?
- 6vii.2. When will sole and dual source procurement be used?
- 6vii.3. Describe the GPO's process for awarding contracts including contracts awarded to a single vendor where there is no exclusivity provision in the contract.

Sole and dual source contracts are contracts that contain exclusivity language that prevents the GPO from entering into a contract with more than one or two vendors.

6vii.1 Yes, CHCA has a policy for sole, dual and multi-source procurement that is posted to the public website for vendor review. CHCA's contracting strategy is determined and outlined by the CHCA Owners. Based upon their requests and needs, CHCA will contract accordingly. CHCA will work with its designated group purchasing partner to promote the value of the group purchasing partner's agreements. Upon approval of the CHCA executive committee, CHCA may contract for products covered by the group purchasing partner with vendor(s) not receiving an award from the partner.

6vii.2 CHCA will not seek to develop sole source contracts where there is more than one supplier. However, upon recommendation by CHCA Owners, and upon approval by the executive committee, CHCA will enter into sole source contracts. CHCA will contract in any product category where price and choice may be leveraged to create value for the CHCA Owners.

6vii.3 When only one supplier exists in the market for a specific product, and CHCA's group purchasing partner, Premier, has not chosen to contract with the vendor but the CHCA Owners have requested a contract for the specific product, CHCA will seek out a single source contract based upon the request.

**6viii. Please describe the GPO's process for ensuring that administrative fees do not encroach upon the best interests of the member organizations.**

Please include in your answer:

- 6viii.1. What is the GPO's practice regarding the amount of administrative fees accepted?
- 6viii.2. Under what conditions does the GPO accept administrative fees beyond 3 percent, requiring specific (not blanket) disclosure under the Federal Regulatory Safe Harbor provisions?
- 6viii.3. Please describe the range of administrative fees accepted.
- 6viii.4. Does the GPO accept other kinds of fees from vendors, such as marketing fees, equity, signing bonuses, and upfront fees? Please describe these other fees and how prevalent they are.
- 6viii.5. Does the GPO impose a minimum fee requirement for suppliers, and if so, under what circumstances?

6vii.1. CHCA negotiates administrative fees of three percent or less.

6vii.2. CHCA does not accept administrative fees beyond three percent on group purchasing agreements.

6vii.3. The current range of administrative fees accepted by CHCA is .50 to three percent.

6viii.4. CHCA does not accept other kinds of fees from vendors, such as marketing fees, equity, signing bonuses or upfront fees.

6viii.5. CHCA does not impose a minimum fee requirement for suppliers.

**6ix. Please describe the GPO's policy to ensure the appropriate use of bundling products and the length of contracts for clinical preference products.**

Please include in your answer:

6ix.1. Describe the GPO's policy guiding the use of bundling.

6ix.2. Does the GPO permit bundling of unrelated products or services from the same vendor? When?

6ix.3. Does the GPO permit bundling of unrelated products or services from different vendors? When?

6ix.4. Describe the GPO's policy guiding the appropriate length of contracts for clinical preference products.

6ix.1-3 CHCA does not seek or commit to any contracts that have bundling of any products across different vendors.

6ix.4 Furthermore, CHCA limits the length of contracts to three years except where economic conditions require longer term agreements in the best interest of the Owner Hospitals, which is a maximum two year extension. This limited extension clause beyond the three year period may be allowed based on mutual agreement between the vendor and CHCA, with approval from the executive committee responsible for purchasing activities.

**Links:**

CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)  
- Contract Length and Grouping Policy

**6x. Please describe whether the GPO has a private label program for medical products.**

Please include in your answer:

6x.1. Describe the medical products the private label program covers.

6x.2. Describe the GPO's practice regarding the fees derived from this private label program?

6x.3. Please describe the range of private label fees accepted.

6x.4. Describe any internal policies that address the private labeling of medical products.

6x. CHCA does not have a private label program for medical products.

**7. Please describe the GPO's publicly available policy and procedure that addresses vendor rights, including a procedure for vendor grievances.**

Please include in your answer:

- 7.1. Please describe the GPO's policy and procedure related to vendor rights and where it available.
- 7.2. How does the GPO address vendor grievances?
- 7.3. Please describe in general the grievance process.

7.1 CHCA's policy sets forth the impartial due diligence process and equitable vendor/bidder rights and responsibilities, and is available on the public website. CHCA commits its staff to act ethically, professionally, with integrity and good faith throughout the contract and negotiation process. No employee will use his/her purchasing authority for personal gain. Vendors have the right to a timely, accurate and confidential evaluation process.

CHCA also publicly posts the objective criteria for responsible bidders wishing to pursue a contract, as well as a description of the requirements and the process vendors must follow to be considered for a contract through CHCA or its purchasing partner. CHCA regularly posts the categories and calendar, as well as the current contracted-vendor and product roster, on its public website.

CHCA Vendor Grievance Policy and Procedure [http://www.chca.com/contracting/vendor\\_grievance.html](http://www.chca.com/contracting/vendor_grievance.html)

CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)

- Disclosure of Requirements to be a Responsible Vendor
- Criteria to Promote Competitive Contracting and Equality in Consideration for Potential Contracts

7.2 CHCA treats vendor grievances seriously. Upon receipt of a grievance by staff, the Compliance Officer is notified and initiates an investigation of the situation and circumstances surrounding the issue. A report of the issue and resolution is included in the quarterly report to the Audit and Compliance Committee.

7.3 CHCA implemented a grievance policy on July 15, 2003 to ensure a procedure exists for a considered and fair review of vendor concerns. Vendors may anonymously report a grievance on CHCA's compliance hotline at (800) 684-6469 or may send grievances to the Vice President in charge of the service line in question, with a copy to our Compliance Officer. CHCA will respond to the vendor within 30 days of receipt. Should the vendor wish to escalate the grievance following CHCA's initial response, a written complaint may be directed to the Senior Vice President, Group Purchasing Services who will respond to the concern. The issue is documented in CHCA's compliance log and the Compliance Officer works with appropriate staff to review and issue final resolution to the grievance.

**8. Please describe the GPO's policy and process to evaluate and provide opportunities to contract for innovative clinical products and services.**

Please include in your answer:

- 8.1. Does the GPO have a process for evaluating innovative technologies? Please describe the process in general.
- 8.2. Does the GPO have the right to write a new contract at any time for innovative technology? Describe.

- 8.3. How does the GPO ensure innovative technology provisions exist in vendor contracts?
- 8.4. Are GPO members allowed to evaluate products from vendors, regardless of whether such vendor has a contract with the GPO?
- 8.5. Are GPO members allowed to communicate with all vendors, regardless of whether the vendor has a contract with the GPO?
- 8.6. Are GPO members allowed to purchase non-contracted products of clinical preference products or services directly from vendors?

8.1 CHCA identifies new or innovative products through several methods including contacts initiated by vendors, Owner Hospital representatives and its group purchasing partner, Premier. CHCA in part relies on Premier's Technology Breakthrough Committee for adoption of new and innovative technologies.

8.2 Prospective vendors may propose breakthrough and innovative technologies at any time for evaluation by CHCA. Those vendors are given the results of these evaluations and the basis for decisions to contract for the proposed product.

8.3 Standard contract provisions with all existing CHCA vendors permit us to add new national contracts for innovative products and services at any time.

8.4-8.6 CHCA participating group purchasing customers may opt to evaluate, communicate and purchase products directly with vendors, regardless of whether the vendor has a contract with CHCA. CHCA does not prohibit its Owners and customers from these activities, including non-contracted products of clinical preference items and services.

**See Attached Documentation:**

Exhibit 6 CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)  
- New Product/Innovation Review and Evaluation

**9. Please describe the GPO's program or activities that encourage contracting with small, women-owned and minority businesses.**

Please include in your answer:

- 9.1. Please describe the program or activities and indicate specifically which types of businesses are included in the program
- 9.2. Please provide current statistics reflecting the percentage by dollar value and number of contract awards to support the program.

9.1 It is CHCA's policy to encourage and support the use of qualified small, minority and women-owned vendors in all product and service categories. Specifically, it is CHCA's intent to increase the sales and participation of qualified minority and women-owned businesses and to link them to our corporate and business partners whenever possible. CHCA and its related organizational entities recognize and are sensitive to the high level of importance that participating Owner Hospitals place upon the development of minority and women-owned businesses in their communities and their role in identifying appropriate contractors. In addition, CHCA relies in part on its group purchasing partner's Supplier Diversity Initiative to proactively promote the use of small and minority-owned businesses. Further, CHCA is an active member of the HGPII Diversity Subcommittee, identifying and promoting best practices in this area.

9.2 Between June 30, 2007 and July 1, 2008, CHCA's Owner Hospitals participating in the purchasing program have access to 242 diversity vendor contracts representing more than \$11.2 million in annual dollar volume through its purchasing partner.

**See Attached Documentation:**

Exhibit 6 CHCA Policies and Procedures for Prospective and Contracted Suppliers,  
[http://www.chca.com/mm/pdf/chca\\_policies\\_and\\_procedures\\_for\\_prospective\\_and\\_contracted\\_vendors.pdf](http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_prospective_and_contracted_vendors.pdf)

-Minority and Female-Owned Businesses Policy

Exhibit 11 CHCA Group Purchasing Agreement

**10. Please describe whether and in what manner the GPO distributes its written code of business ethics and conduct to all applicable employees, agents, contractors, clinical advisory committees, and others involved in group purchasing activity.**

Please include in your answer:

- 10.1. Does the GPO distribute the code of conduct to all employees? By what manner is the code provided to employees? How often?
- 10.2. Where can the code be found electronically?
- 10.3. Does the GPO distribute its code of conduct to all members of clinical advisory committees? How often?
- 10.4. Does the GPO distribute the code to all of the board of directors? How often?
- 10.5. Does the GPO distribute its code of conduct to all agents and contractors that participate in the GPO activity? How often?
- 10.6. Does the GPO distribute its code to vendors and others with whom it does business?

10.1 Yes. Upon starting work at CHCA, all employees attend a compliance orientation session with the Compliance Officer; receive both hard and electronic copies of the Ethics and Compliance Program and Code of Conduct; are required as a condition of hire to complete two online courses and their respective tests familiarizing them with the Program's structure, resources and requirements; complete a certification regarding the Program and Code of Conduct; and complete a conflict of interest form.

10.2 The Code of Conduct is available on the CHCA public website, "Contracting with Us," as well as being posted with the full Ethics and Compliance Program on CHCA's intranet "Business Practices" site.

10.3 The link to the CHCA Code of Conduct on its public website is distributed annually to all Owner Hospital representatives involved in group purchasing activity (e.g., clinical advisory committees), CHCA employees and the Board of Directors, in conjunction with their annual required Conflict of Interest disclosure.

10.4-10.5 New employees receive a hard copy of the CHCA Ethics and Compliance Program, which includes the Code of Conduct. All employees, long term contractors, Directors and clinical advisory committee/Forum members receive an annual electronic link to access the document online as part of their mandatory Conflict of Interest disclosure and/or compliance training. Agents and others may also reference the Code online at any time via the public website.

10.6 CHCA incorporates reference to the Code of Conduct in all signed contracts between CHCA and vendors for group purchasing-related activities, as well as in its online group purchasing policies and procedures displayed on the public site "Contracting with Us" in conjunction with the CHCA Code of Conduct.

**See Attached Documentation:**

Exhibit 1 CHCA Ethics and Compliance Program, Code of Conduct, Page 14

Exhibit 12 Distribution of Code of Conduct and Conflict of Interest,

[http://www.chca.com/mm/pdf/chca\\_policy\\_and\\_procedure\\_distribution\\_of\\_code\\_of\\_conduct.pdf](http://www.chca.com/mm/pdf/chca_policy_and_procedure_distribution_of_code_of_conduct.pdf)

Exhibit 13 New Employee Orientation Plan

Exhibit 14 Orientation Enhancements at CHCA

**11. Please describe how new employees involved in group purchasing are provided an orientation to the written code of business ethics and conduct.**

Please include in your answer:

11.1. Do all new employees involved in group purchasing get a copy of the code during their orientation?

11.2. Do all new employees get some type of orientation to or discussion of the code? Please describe the orientation.

11.1 Yes. Upon reporting to CHCA for their first day of work, all CHCA employees receive a copy of the CHCA Ethics and Compliance Program, including the Code of Conduct, in hard copy form. Thereafter, all employees receive link to the electronic copy of the Code in January in conjunction with the annual refresher course.

11.2 Yes. All new CHCA employees are given a focused session on the Ethics and Compliance Program, including the Code of Conduct, as part of their orientation training. Every CHCA employee receives a hard copy of the Ethics and Compliance Program and Code of Conduct, as well as instructions on accessing the material online. In addition, all employees must complete two mandatory online education courses, the respective tests (material includes the Ethics and Compliance Program, Conflict of Interest and Code of Conduct) and complete a certification that s/he has read and understands the Code of Conduct.

**See Attached Documentation:**

Exhibit 1 CHCA Ethics and Compliance Program, Certification Form, Page 50, 61

Exhibit 13 New Employee Orientation Plan

Exhibit 15 Screenshots of Online Compliance Education Courses

**12. Please describe the nature and content of the GPO's annual employee refresher training on the written code of business ethics and conduct.**

Please include in your answer:

12.1. Which employees receive annual refresher training?

12.2. Please describe the content of the training and the method of delivery.

12.1 CHCA conducts an annual online refresher training session for all employees, long term contractors and the Board of Directors. In addition, compliance staff provides regular updates and training at staff retreats.

12.2 Annual training topics addressed in the online, scenario-based course and test include but are not limited to: issues such as changes in the Code of Conduct and compliance resources, any problem areas identified and issues raised by CHCA employees, introduction of or changes to regulations affecting CHCA products and services, ethics and integrity training. Refresher education is conducted in an interactive manner; records are kept of completion and individual scores and reported to the Board of Directors annually.

**See Attached Documentation:**

Exhibit 1 CHCA Ethics and Compliance Program, Pages 50, 52

Exhibit 16 Audit and Compliance Committee Quarterly Reports

Exhibit 17 CHCA Staff Retreat Agenda

Exhibit 18 Screenshots of Online Compliance Refresher Training Course

**13. Please describe the mechanism (e.g., a corporate review board, ombudsman, corporate compliance or ethics officer) for employees to report possible violations of the written code of business ethics and conduct to someone other than one's direct supervisor, if necessary.**

Please include in your answer:

13.1. Does the GPO have a mechanism for employees to report possible violations of the code to someone other than the direct supervisor? Please describe the mechanism.

13.2. What process is used to protect the confidentiality of the reporting employee's identity?

13.3. What safeguards are in place to mitigate the opportunities for retaliation?

13.1 CHCA employees may confidentially report violations of the Ethics and Compliance Program to their manager or manager's supervisor. In addition, CHCA has a Board-appointed Compliance Officer who maintains a system for employees or others to report ethical and compliance violations or seek guidance regarding the interpretation or application of CHCA policies, procedures and rules. Should a complaint or issue be raised, CHCA compliance staff will investigate and document, respond to the complainant and report findings to the Audit and Compliance Committee of the Board.

The hotline information is displayed prominently on CHCA's website, intranet and onsite in all elevator and coffee station locations for easy reference.

13.2 Violations and possible ethical misconduct may be reported anonymously to the Compliance Hotline at (800) 684-6469. The hotline is staffed by an independent third party 24 hours a day, 365 days a year. Callers have the option of withholding their identity and being assigned a special code allowing them to anonymously check on the status of their concern. The Compliance Officer may also use this special code to seek further clarification or details surrounding the report, communicate issue resolution through the independent hotline staff and preserve the caller's anonymity. Confidentiality of a non-anonymous relator will be preserved whenever possible.

13.3 CHCA does not tolerate retaliation against individuals making good-faith use of the reporting system. CHCA policies protect the privacy of the reporting employee whenever possible and holds any individual retaliating against a relator accountable through sanctions up to and including termination. CHCA also supports a culture promoting an open-door policy between employees, management and compliance staff on any issue and specifically on compliance and ethics questions and concerns. This approach is proactively promoted at new employee orientation sessions, staff retreats and team meetings.

**See Attached Documentation:**

Exhibit 1 CHCA Ethics and Compliance Program, Pages 45, 57-58

**14. Please describe the mechanism the GPO utilizes to follow up on reports of suspected violations to determine what occurred and who was responsible, and to recommend corrective and other actions.**

Please include in your answer:

14.1. Describe the process to evaluate, investigate and resolve the report or concern and to review related current policies and practices for possible revision.

14.1 CHCA has established a process to evaluate, investigate and resolve reported ethical and compliance concerns. Employees are encouraged to confidentially communicate suspected violations to their manager, manager's supervisor, the Compliance Officer and/or anonymously via the Compliance Hotline.

Reports of suspected violations are investigated promptly and thoroughly by the Compliance Officer to determine if a violation did, in fact, occur. Resources involved may include guidance from legal counsel, as appropriate, interviews with management and staff and review of documentation and established precedent. Documentation and resolution is discussed with the complainant, if known, senior management and reported to the Audit and Compliance Committee of the Board. The situation and resolution may also be used in regular staff compliance training, such as the annual refresher course, and posted to the CHCA intranet in case study format.

Employees and Directors are actively engaged in policy, Compliance Program and process (re)design in light of established industry best practices, legal requirements, identified risk areas and reported ethics and compliance issues.

**See Attached Documentation:**

Exhibit 1 CHCA Ethics and Compliance Program, Pages 45-46, 50, 58

**15. Please describe how the GPO employees' compliance with its written code of business ethics and conduct is measured in their job performance?**

Please include in your answer:

15.1. Is ethical conduct or conduct consistent with the written code of conduct an explicit standard by which all employees and levels of supervision are measured in their job performance?

15.2. Describe how ethics is evaluated and taken into account.

15.1 CHCA has adopted a performance evaluation system that includes incentive-based corporate goals focused on compliance for all employees and Directors. The 2008 goal, "assure effective management of the corporate compliance program as measured by percent compliance with the Conflict of Interest Statement and [new employee, long-term contractor and Director] training" is weighted according to employee title. Language and appropriateness of goals are established by the CHCA Board of Directors.

15.2 All employees complete mandatory orientation and compliance certification, online training and examinations, annual refresher training sessions on CHCA's compliance and ethics Program, culture and policies. Employees violating the Program have incidents and sanctions recorded in their personnel files, which may affect

their annual evaluation. Further, employees are separately coached and evaluated on CHCA's foundational values: Owner Hospital focus, teamwork, accountability, trust and innovation.

**See Attached Documentation:**

Exhibit 19 Sample Performance Management Objective Form

**16. Please describe the processes the GPO utilizes to monitor, on a continuing basis, adherence to the written code of business ethics and conduct, and with applicable federal laws.**

Please include in your response:

- 16.1. Is there a process to evaluate at least annually the GPO's adherence to the law and to the code of conduct? Please describe.
- 16.2. Who conducts the evaluation(s)?
- 16.3. To whom are reports of the evaluation(s) provided (e.g., Board, CEO)?

CHCA retains an independent third party to audit compliance with HIGPA and/or HGPII survey submission and principles. In addition, individual goals and incentives of group purchasing staff include compliance with the CHCA/HIGPA Code of Conduct principles. CHCA also introduced regular internal monitoring audits to ensure adherence with its compliance and ethics policies and procedures. Results of these initiatives are provided to the Audit and Compliance Committee of the Board for review and recommendations.

**See Attached Documentation:**

Exhibit 1 Ethics and Compliance Program, Page 54

Exhibit 20 Audit and Compliance Committee Agenda

**17. Please describe how the GPO fulfilled its obligation to participate in the most recent Best Practices Forum.**

Please include in your answer:

- 17.1. Please state how many company persons attended the Best Practices Forum in Washington DC in January 2008.
- 17.2. Please name the most senior executive who attended.

17.1 CHCA sent three delegates to the January 2008 GPO Best Practices Forum. The CEO participated in a Steering Committee panel discussion at the conference, the Compliance Officer was a participant in developing Best Practices Forum agenda and facilitated the Compliance Roundtable session and the Senior Vice President for group purchasing attended the meeting.

17.2 CHCA's CEO, Don C. Black was the most senior executive attending the 2008 HGPII Best Practices Forum conference.

**18. Please describe how the GPO reports to the company's Board of Directors or its Audit or other appropriate committee on the GPO's ethics and compliance program and its commitment to the Initiative's Principles.**

Please include in your answer:

- 18.1. Are periodic reports on the company's ethics and compliance program made to the GPO's board of directors or to a committee of the board? If so, please state how often and in general, what information is reported?
- 18.2. Are periodic reports on the company's participation in the Initiative made to the GPOs board of directors or a committee of the board? If so, please state how often and in general, what information is reported?

- 18.1 On a quarterly basis or on an as-needed basis, CHCA's Compliance Officer reports ethics and compliance-related issues and activities to the Audit and Compliance Committee of the Board. Information may include but are not limited to conflict of interest and gift/entertainment disclosures by staff, Directors and forum members; policy and procedure and Compliance Program updates; HGPII and HIGPA compliance survey submissions; financial and compliance control audit results; log of compliance staff activities, including reported issues and resolutions; new employee and annual refresher training results.
- 18.2 Periodic reports on CHCA's participation in the HGPII, as well as material HGPII activities are reported to the Audit and Compliance Committee of the Board as necessary, as a component of the Compliance Officer's quarterly report.

**See Attached Documentation:**

Exhibit 16 Audit and Compliance Committee Quarterly Reports  
Exhibit 20 Audit and Compliance Committee Agendas

**19. Please name the senior manager assigned responsibility to oversee the business ethics and conduct program.**

Please include in your answer:

- 19.1. The name and title of the individual.
- 19.2. Contact information for the individual.
- 19.3. Please give the contact information for the person responsible for responding to questions related to this report.

- 19.1 The senior manager and Chief Compliance Officer responsible for overseeing the business ethics and compliance program at CHCA is Nancy Vasto, Vice President, Compliance and Board Relations.
- 19.2 The contact information for Ms. Vasto is:  
6803 W. 64<sup>th</sup> Street  
Shawnee Mission, KS 66202  
nancy.vasto@chca.com  
(913) 262-1436 x159 office (800) 684-6469 Compliance Hotline  
(913) 207-4329 mobile (913) 766-7959 fax
- 19.3 Questions regarding this report may be directed to Nancy Vasto or Mike Bomstad, Senior Vice President, Group Purchasing Services.