

2010 PUBLIC ACCOUNTABILITY QUESTIONNAIRE

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(a). Please describe the ownership structure of your organization, including details regarding the following:

- (i) What person(s) or entit(ies) control the majority of voting interests in your GPO?
- (ii) Please categorize the types of equity holders of your GPO (e.g., healthcare providers, private citizens, for-profit entities, not-for-profit entities)
- (iii) Is your GPO or any of its equity holders a publicly held company?
- (iv) What is the corporate form of your organization (e.g., corporation, partnership, LLC, co-op, etc.).
- (v) Is your GPO organized as a for-profit or not-for-profit organization, and in what state is it organized?

Child Health Corporation of America's (CHCA's) group purchasing program is controlled equally by thirty-seven (37) out of forty-three (43) of its Owner Hospitals, all of which are free standing Children's Hospitals and not-for-profit entities. The GPO is not, nor any of its equity holders, a publicly held company. CHCA is a taxable, for-profit cooperative, and is organized in the state of Delaware.

1(b). Please describe the composition of your Board of Directors or other governing body ("Board").

- (i) Please state how many individuals serve on your Board.
- (ii) Please state what percentage of the directors on your Board represent entities that participate in (i.e., are customers of) your GPO.
- (iii) Please state what percentage of the directors on your governing board are employees of your GPO.
- (iv) Please state whether any members of your Board also serve as employees, officers, or directors of any Participating GPO Vendor.

(v) If your Board has members that serve as employees, officers, or directors of a Participating GPO Vendor, please state how many and what percentage of the total Board, and explain what policies you have in place to address potential conflicts of interest that may arise. For the purposes of this Questionnaire, "Participating GPO Vendor" means a manufacturer, distributor, supplier or other vendor of health care services and/or products that has a contract or submits a formal bid or offer to contract with the GPO to provide goods or services to the GPO's participants.

In 2010, twelve (12) individuals served on the CHCA Board. Eighty-two percent (92%) of the directors on CHCA's Board represent entities that participate in the GPO. Eight percent (8%), or one Director is an employee of the organization. CHCA does not have any of its Board members that serve as employees, officers, or directors of a Participating GPO Vendor.

1(c). Please indicate whether any equity holder of your GPO (i.e., any ownership or investment interest other than an ownership or investment interest in a publicly traded security and mutual fund) is a physician (or an immediate family member of a physician). An "immediate family member" means a husband or wife, birth or adoptive parent, child, or sibling, stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, daughter-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild. An "equity holder" means the named holder of any stock, membership, unit, or other ownership interest.

There are no equity holders of the GPO that are physicians or that have immediate family members that are physicians.

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.

CHCA and Premier Vendors list is published quarterly at:

http://www.chca.com/mm/pdf/Vendor_list.pdf

2.2 Employees

- 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.
- b. 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 vendor 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.
- c. – 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 vendor per calendar year. Any item that costs 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 deemed necessary, 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

- a. – 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 discussions, 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 not 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 or current contracted purchasing partner. 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.¹

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?

¹ 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): Securities Act, Sec. 16, 15 USC 77p(f))

- 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 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, a business 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 43 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 aggregation providing clinical, operations and financial benchmarking indicators.
- Best practice and knowledge spread: rapid cycle performance and quality improvement, revenue cycle and operations improvement through strategy development and networking communities.
- Research and development function: identifies and develops future pediatric health care strategies, assesses and monitors new knowledge, infrastructure and program development.
- Aggregation opportunities for Pharmacy Benefit Management and self-insured employer sponsored health plans.
- Efficiency in purchasing: aggregation of group purchasing for medical/surgical and pharmacy products, vaccines, as well as insurance services and products.
- The Child Health Advantage (CHA) program provides aggregation opportunities for community physicians by offering a cost reduction method for their pediatric vaccines. The CHA program's purchasing partner is Provista (Novation) which offers a Group Purchasing portfolio of medical-surgical, pharmaceutical and business services contracts for the non-acute setting.

- 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 and Board approved pediatric institutions 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).
- 4.9 Please describe the GPO's policy with respect to the receipt of sponsorship funds, grants, and other non-administrative fee revenue from vendors. We do not allow this.
- i. If the GPO allows the receipt of educational grants, please describe in detail the types of programs for which it receives such grants.
 - ii. If the GPO receives or is permitted to receive sponsorship funding, please describe the circumstances under which it may receive such funding?
 - iii. If such funding is received by the GPO, is it disclosed to the GPO's participating members and how?

- 4.1 Yes. In compliance with the Federal Anti-kickback statute GPO safe harbor, CHCA fully discloses in writing on an annual basis to each GPO customer 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 customer, 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 not accept honoraria but third parties may reimburse CHCA for reasonable travel and related incidental expenses and 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 and Compliance 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 Disclosure and Reporting of Vendor Payments policy (http://chca.com/mm/pdf/chca_policy_administrative_fee_disclosure_and_allocation.pdf) requires CHCA to return to the vendor any material administrative fees received on purchases made by an expired or ineligible customer.
- 4.9 CHCA does not allow receipt of any sponsorship funds, grants, or any other non-administrative fee revenue from vendors.

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 participating Owner Hospital all fees paid per calendar year. 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 to Vendors any rebates and administrative fees received on purchases made that do not correspond to a then-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 re-signing 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 reflects the values, code of conduct and principles embodied in both the HIGPA and HGPII organizations. CHCA’s Owner Hospitals drive its contracting activities and contracting process. The Supply Chain Management 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 and updated quarterly. 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.

Links

http://chca.com/mm/pdf/chca_policies_and_procedures_for_pospective_and_contracted_vendors.pdf

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 our website. A calendar of contract negotiations is also available online, updated quarterly and accessible to any vendor interested in contracting with CHCA.

The contract owners’ decision on which potential vendors are evaluated include, but are not limited to, and in no particular order:

- 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 Management 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

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

- 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 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.

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

- 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.

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

- 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 Supply Chain Management Executive Committee to ensure compliance during the contract negotiation, review process and the communication of awards. Supply Chain Management Executive Committee Meeting Minutes are meticulously maintained by staff, as are thorough due diligence materials required and utilized by the committee throughout its deliberations. The Group Purchasing Advisory Council is also responsible for program oversight. These processes ensure that the impartial evaluation 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 Seven (7) Owner Hospital representatives make up the Supply Chain Management Executive Committee to ensure hospital and group purchasing customer concerns are thoughtfully considered. This committee 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_pospective_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 considered. The Owner Hospital Supply Chain Management Executive Committee is responsible for purchasing activities and reviews all available data and recommendations from the staff and focus group(s) rendering its final decision. Rationale for all decisions is documented on a standard due diligence form and in Supply Chain Management Executive Committee Meeting Minutes.

Links:

Exhibit (1A) Supply Chain Executive Committee Agenda and Exhibit (1B) Meeting Minutes
CHCA Policies and Procedures for Prospective and Contracted Suppliers:

http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_pospective_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 are designed to promote competitive procurement. The bid and award process is designed to leverage competition and make available to providers 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 quarterly 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, Woman-Owned and Small 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.

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

- 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 contracts accordingly. CHCA works with its designated group purchasing partner(s) to promote the value of the group purchasing partner(s) agreements. Upon approval of the CHCA Supply Chain Management 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 Supply Chain Management 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?

CHCA's GPO does not accept administrative fees higher than three percent (3%). Under no circumstances will we allow administrative fees to be higher than the 3% that would require specific disclosure under the Federal Regulatory Safe Harbor provisions. Administrative fees range from zero to three percent (0-3%). CHCA's GPS does not accept any other kind of fee from vendors, i.e.,

marketing, equity, signing bonuses, or upfront fees. CHCA's GPO 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 the same or different vendors.

6ix.4 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 Supply Chain Management 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

- Disclosure and Reporting of Vendor Payments

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. 1-4 CHCA does not have a private label program.

6xi. Please describe the GPO's supplier grievance process?

Please include in your answer:

6xi.1 Please describe the GPO's policy and process with respect to responding to a supplier's grievance regarding the bid/award process?

6xi.2 Does the GPO participate in HGPII's Independent Evaluation Process?

6xi.3 Is the description of the GPO's supplier grievance process on a public website or sent to those who inquire, or provided in some other way?

6xi.4 Did any supplier, since submission of the last GPO's Public Accountability Questionnaire, request evaluation pursuant to the HGPII Independent Evaluation Process? If so, please provide information regarding the outcome of such evaluation.

6xi.1 If a Vendor, who maintains a direct contract with CHCA, or a Vendor who has attempted to obtain a direct contract with CHCA, believes in good faith that they have a grievance in connection with the CHCA contracting process, then the Vendor should submit in writing or verbally to the Compliance Hotline, the facts and concerns related to Vendor's grievance with sufficient specificity to enable CHCA to respond promptly.

Communications must be submitted to the CHCA Compliance Officer or the Compliance Hotline at (800) 684-6469 within thirty (30) days of the contract award date.

*Please include the contact information for the organization, a primary point of contact in the event additional information is necessary, date of bid submission and CHCA staff member that facilitated the process.

*Indicate whether the grievance is:

- a general concern, grievance or complaint
or is

- relevant to the contracting award process for innovative and/or clinical/physician preference products

The aggrieved party shall be contacted in writing (including via e-mail) within seven business days after receipt of the grievance with the following information:

- An overview of the grievance process
- A request for additional information (if applicable)
- An initial timeline for review and resolution of the grievance

A formal written response shall be provided to the aggrieved party within sixty (60) days of receipt of the original grievance indicating disposition of the matter, unless such time period is extended in order to obtain feedback from outside experts. Grievances relating to the contracting award process for innovative and/or clinical/physician preference products or services will be reviewed and the decision will be considered final.

- 6xi.2 The GPO does participate in HGPIIs Independent Evaluation Process.
- 6xi.3 The description of the GPO’s supplier grievance process is posted on the public website (http://www.chca.com/contracting/vendor_grievance.html) and is also sent to those who inquire.
- 6xi.4 No supplier(s), since submission of the last GPO’s Public Accountability Questionnaire, requested evaluation pursuant to the HGPII Independent Evaluation Process.

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 is it available.
- 7.2. How does the GPO address vendor grievances?
- 7.3. Please describe in general the grievance process.
- 7.4. Has the new HGPII independent vendor grievance review process been displayed on the GPO’s public Website?

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.

Links

CHCA Policies and Procedures for Prospective and Contracted Suppliers:

http://www.chca.com/mm/pdf/chca_policies_and_procedures_for_pospective_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 a review or 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.

Links

CHCA Vendor Grievance Policy and Procedure:

http://www.chca.com/contracting/vendor_grievance.html

- 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. The Vendor Grievance Policy is outlined in 6xi.1, and the link to our website identified: (http://www.chca.com/contracting/vendor_grievance.html).
- 7.4 The new HGPII independent vendor grievance review process is displayed on the GPO's public Website.

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 both Provista and 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.

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

- 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 minority, woman-owned and small businesses in all product and service categories. Specifically, it is CHCA’s intent to increase the sales and participation of these diversity suppliers 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.

9.2 Q309 to Q210 Within the previous twelve-month reporting period, CHCA’s Owner Hospitals participating in the purchasing program had access to 314 diversity vendor contracts representing more than \$ 2,056,955,313 in annual dollar volume through its purchasing partner. Total Member Volume includes Pharmacy Wholesale, Medical/Surgical Distribution and Data Sharing.

Total Supplier Diversity Volume	\$38,110,229
Total Member Purchasing Volume	\$ 2,056,955,313
Total Minority Business Volume	\$905,305
Total Small Business Volume	\$24,439,386
Total Veteran Business Volume	\$2,496,194
Total Woman-Owned Volume	\$10,269,344

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

- Exhibit (2) Minority, Woman-Owned and Small Businesses Policy
- Exhibit (3) CHCA Group Purchasing Agreement

Premier Supplier Diversity: <http://www.premierinc.com/supplierdiversity/>

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 an annual conflict of interest disclosure and compliance training.

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 the "Business Practices" page on CHCA's member.

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, CHCA employees and long-term contractors, 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.

Links:

- ✓ Exhibit (4) CHCA Ethics and Compliance Program, Code of Conduct, Page 7
- ✓ 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
- ✓ Exhibit (5) New Employee Orientation Plan

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 “in person” 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 (4) CHCA Ethics and Compliance Program, Certification Form, Page 15-22
- ✓ Exhibit (5) New Employee Orientation Plan
- ✓ Exhibit (6) 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 and divisional meetings as appropriate.
- 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 (4) CHCA Ethics and Compliance Program
- ✓ Exhibit (7) Audit and Compliance Committee Quarterly Reports
- ✓ Exhibit (8) CHCA Staff Retreat Agenda
- ✓ Exhibit (6) Screenshots of Online Compliance Education 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's supervisor and/or confidentially to the Compliance Hotline. 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 and respond to the employee and report findings to the Audit and Compliance Committee of the Board.

The confidential and anonymous 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 (4) CHCA Ethics and Compliance Program

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 (4) CHCA Ethics and Compliance Program

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 Ethical conduct consistent with the Code of Conduct contained in the written Ethics and Compliance Program is a clearly stated condition of an individuals' employment at CHCA. Failure to comply results in sanctions including termination.

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 (9) 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)?

16.1.-3.

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/HIGII (Formerly HIGPA) Code of Conduct principles. CHCA also introduced regular internal monitoring reviews 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 (4) CHCA Ethics and Compliance Program
- ✓ Exhibit (10) 2009 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 March, 2010.
- 17.2. Please name the most senior executive who attended.

- 17.1 CHCA sent four delegates to the March 2010 GPO Best Practices Forum. The CEO participated in a Steering Committee panel discussion at the conference, and the Senior Vice President for group purchasing services attended the meeting. The Chief Compliance Officer/VP Compliance and Board Relations attended, as well as the Contract Manager for group purchasing services.
- 17.2 CHCA's CEO, Don C. Black was the organization's most senior executive attending the 2010 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 GPO's 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 is 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 (7) Audit and Compliance Committee Quarterly Reports
- ✓ Exhibit (10) 2009 Audit and Compliance Committee Agenda

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. 64th Street
Shawnee Mission, KS 66202
nancy.vasto@chca.com
(913) 262-1436 x4159 office (800) 684-6469 Compliance Hotline
(913) 207-4329 mobile (913) 766-7859 fax

19.3 Questions regarding this report may be directed to Nancy Vasto, Vice President, Compliance and Board Relations or Jerry Rutherford, Interim CEO, Child Health Corporation of America.