

Healthcare Group Purchasing Industry Initiative

Annual Public Accountability Questionnaire

HPS Response
January 2011



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 entity (ies) control the majority of voting interests in your GPO?

Response: HPS is owned by our not-for-profit 501 (c) 3 or instrumentalities of government members. Each member has one vote, based upon paid membership.

- (ii) Please categorize the types of equity holders of your GPO.

Response: HPS LLC owners are all not-for-profit or instrumentalities of government entities all nonprofit.

- (iii) Is your GPO or any of its equity holders a publicly held company?

Response: No

- (iv) What is the corporate form of your organization?

Response: HPS LLC is a LLC owned by not-for-profit members.

- (v) Is your GPO organized as a for-profit or not-for-profit organization, and in what state is it organized?

Response: HPS LLC is organized as a nonprofit LLC 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?

Response: The HPS Board of Managers, numbers 15, with the option to move up to a maximum of 17.

(ii) Please state what percentage of the directors on your Board represent entities that participate in (i.e., are customers of) your GPO.

Response: 100%, this is a requirement.

(iii) Please state what percentage of the directors on your governing board are employees of your GPO.

Response: One, the CEO/President. This is the only staff allowed by Board/LLC Management Operating Policy to serve on the Board of Managers.

(iv) Please state whether any members of your Board also serve as employees, officers, or directors of any Participating GPO Vendor.

Response: None. This is prohibited by the "HPS Code of Conduct for Business, Ethics, and Contracting" and specifically the "Conflict of Interest" statement all Board members must sign prior to serving.

(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.

Response: Does not apply.

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.

Response: Yes, refer to pages 6 and 7 of our Code of Conduct for Business, Ethics, and Contracting. All employees, executives, advisory committee members, and members of the HPS Board of Managers are required to sign a conflict of interest statement every year. Any new employees and or Board/Committee members are required to sign the conflict of interest policy prior to service. The conflict of interest policy also addresses any equity investments in or with participating vendors. HPS requests that there be no equity investments prior to service and or participation. HPS employees do not serve on any Board for suppliers or services that HPS provides to its membership (attested to in the Conflict of Interest that all staff, committee and board members sign annually). Gifts from the vendor community are forbidden, but during the holiday season certain perishables do arrive unsolicited. HPS distributes the products to our local food bank or a local charity designated by the majority of the staff. Certain business is conducted in conjunction with meals. The HPS standard is that we pay for the "HPS" portion of the meal, or rotate in payment of the total bill. HPS staff does not accept entertainment.

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.

Response: HPS does not conduct any business activities outside of the GPO practice. HPS is the parent corporation. HPS provides no services to the vendor community.

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.

Response: HPS requests and collects a \$.001 to \$.003 recording fee from HPS managed agreements. HPS does not receive or solicit any other types of fees, and the majority of operational funding (80 %+) comes from membership dues. HPS notifies all eligible members of the fees collected in accordance with 42 CFR 1101.952(j). HPS is an affiliate of MedAssets and does receive on behalf of the membership, payment of fees collected by MedAssets for HPS members. Please refer to MedAssets response to question 4 regarding specifics on the type fees accepted by MedAssets. Further, under direction from the HPS Board of Managers, HPS returns the majority MedAssets fees to the HPS membership annually. HPS does have certain sponsorships for the Annual HPS Meeting and Trade Show. It is handled by a separate department (outside of contracting personnel) and it is not mandatory in any way that a vendor exhibit and/or provide sponsorship. HPS discloses those sponsorships to the members at the annual meeting and trade show.

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

Response: HPS notifies all eligible members of the fees collected on the HPS managed contracts in accordance with 42 CFR 1101.952(j). MedAssets provides reporting to all HPS members for administrative fees collected. Please refer to MedAssets' response to question 5 regarding the specifics in reporting. HPS does require a member to be in good standing prior to payment of Board directed administrative fees.

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?

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6.

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.

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6i.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6ii.

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.

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6iii.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6iv.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6v.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6vi.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets' response to question 6vii.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets' response to question 6viii.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6ix.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6x.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 6x. None contacted HPS directly or via HGPII or HIGPA.

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

Response: See pages 4 and 5 of the HPS Code of Conduct for Business, Ethics and Contracting. As an affiliate of MedAssets, please refer to the MedAssets response to question 7. The Independent Vendor Grievance Process is posted on the HPS public WEB site.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 8.

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

Response: As an affiliate of MedAssets, please refer to the MedAssets response to question 9.

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.

Response: The HPS Code of Conduct for Business, Ethics, and Contracting is available on the public HPS Web site, www.hpsnet.com. Prior to all employees, committee members, and Board members signing the conflict of interest and equity statements, HPS reviews the Code with each group. All new employees review the Code and sign a conflict of interest and equity statement.

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

Response: All new employees at HPS, regardless of their position, receive an overview and orientation on the code and are required to sign a conflict of interest and equity statement.

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

Response: HPS devotes one monthly all staff meeting to reviewing and answering questions regarding the code. The code is reviewed point by point, with staff involvement from all departments.

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.

Response: Please refer to section V. in the HPS Code on page 4. The Compliance Officer has a direct line of reporting to the Executive Committee of the HPS Board of Managers. The HPS Hotline e-mail is a secure blind line. The choice of the sender to identify themselves is their option; it is completely blind to the Compliance Officer on the senders' identity. To date other than periodic tests, we have not received a complaint filed via the e-mail or any other method.

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.

Response: Please see section V., F. of the HPS Code page 5. Further, see section XII, C. on page 9.

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

Response: Please see section III Page 3 of the HPS Code.

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.

Response: Please see section XII in the HPS Code. As an affiliate of MedAssets, please refer to the MedAssets response to question 16.

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

Response: HPS's entire leadership team attended the 2009 and 2010 Forum and will be attending the 2011 Forum.

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

Response: HPS reviews in detail the HPS code with the Board annually prior to individual Board members signing the conflict of interest and equity statement. HPS staff reports at appropriate meetings their involvement in the HGPII and actions taking place in the market that impact the industry.

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

Response: Jerry L. Welsh, president and CEO HPS, jwelsh@hpsnet.com and Michelle Pleiness, Vice President of Member Services, Compliance Officer HPS, mpleiness@hpsnet.com.

(01.04.11)