

## 2015 PUBLIC ACCOUNTABILITY QUESTIONNAIRE

**This Questionnaire Covers Calendar Year 2015.**

**Please return your response to [hope.morris@arentfox.com](mailto:hope.morris@arentfox.com) no later than **June 1, 2016****

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### OWNERSHIP AND ORGANIZATIONAL STRUCTURE

1. Describe the ownership structure of your GPO and/or its parent or affiliated companies, including details regarding the following:
  - Person(s) or entities that control the majority of voting interests in your GPO;
    - Intermountain Health Services, Inc.
  - The types of equity holders of your GPO (e.g., publicly-held company, healthcare providers, individuals, for-profit and/or not-for-profit entities);
    - Healthcare provider
  - The corporate form of your GPO and/or its parent or affiliated companies – such as corporation, partnership, limited liability company, co-op;
    - Corporation
  - Whether the GPO is organized as a for-profit or not-for-profit organization; and
    - For-profit
  - Location of corporate headquarters.
    - 2 CityPlace Drive, Suite 400, St. Louis, MO 63141
  
2. Describe the composition of your Board of Directors or other governing body and reflect any changes from the previous HGPII reporting year. Include the following in your response:
  - Number of individuals serving on your Board;
    - 3
  - Percentage of Board representing GPO customers;
    - 33.33%
  - Percentage of Board that are employees of the GPO; and
    - 33.33%
  - Percentage of Board members also serving as employees, officers, or directors of a participating vendor.
    - 0%
  
3. Indicate whether any equity holder of your GPO and/or its parent or affiliated companies is a physician (or an immediate family member of a physician).
  - None

## CONFLICT OF INTEREST

4. Describe the GPO's policies and procedures that address conflicts of interest for:
- Employees in a position of influence with regard to contracting decisions;
    - For senior management, no investments in participating suppliers.
    - Contracting employees, no investments in suppliers with whom they contract or could contract with.
    - No service on Boards of participating suppliers is permitted.
    - Gifts or promotional items of nominal value (not to exceed \$50 per instance or \$100 in any calendar year) may be accepted by Intalere employees provided they are not an inducement for business. Intalere employees may buy meals for vendor employees subject to the expense reimbursement policy.
    - Intalere employees will not accept proposed vendor reimbursement for travel expenses to supplier meetings.
  - Clinical Advisory Members; and
    - Members of advisory committees are required to recuse themselves from decisions on suppliers in which they have investments.
  - Members of the GPO's Board of Directors or other governing body.
    - A separate policy was developed for the Board of Directors and was adopted in December 2007. Board members are required to document any conflicts of interests on an annual basis.

As part of your response, provide details about reporting requirements for conflicts and provide a copy of written policies.

- Any reports of an ethics violation are investigated by the Chief Compliance Officer (CCO). The CCO may get others involved based on their expertise. All investigations documented until resolution and are maintained in the Compliance Log. All reports of an ethics violation and their resolution are reported to the Board on a quarterly and annual basis or sooner if deemed necessary. If the report of violation involved the CCO, the process is the same with the exception that the violation would be investigated by the CHRO.
  - Please see attached document titled "Ethics Excerpt from Intalere Employee Handbook"
5. Describe actions the GPO takes to avoid conflict of interest issues for members of the Board of Directors (e.g. disclosure and/or prevention of equity investments in participating vendor relationships and acceptance of gifts/meals/travel/entertainment paid for by vendors.)
- Gifts or promotional items of nominal value (not to exceed \$50 per instance or \$100 in any calendar year) may be accepted by members of the Intalere Board of Directors provided they are not an inducement for business. Disclosure is required on the annual Board of Director Conflict of Interest statements.
6. Describe the GPO's policies and procedures that address activities, including other lines of business of the GPO and/or its affiliates (including non GPO services and strategic

investments) that might constitute conflicts of interest to the independence of its purchasing activity. [1]

- Intalere will not accept a corporate equity interest from any supplier nor will Intalere purchase such equity interest.
- Intalere accepts sponsorship fees and booth exhibit fees in connection with its annual membership and supplier meetings each year. The money collected covers the costs associated with the meetings and help defray the costs for the attending members.

## **OTHER LINES OF BUSINESS**

7. Describe other lines of business or investments of the GPO and its affiliates. We are interested in hearing about new as well as nontraditional GPO services that your company and its affiliates are involved with.
  - Intalere owns three additional business units which are complementary to the Group Purchasing Business. Intalere Choice is a private label unit that provides a portfolio of products at prices below the market for branded products. DataBay Resources is a unit that has developed a series of technologies and products that are primarily utilized by hospitals, related health care businesses and insurance companies in a variety of settings including data collection, reporting and strategic planning. Tempest Med is a healthcare solutions organization dedicated to the non-acute alternate site marketplace. Tempest Med provides pharmacy revenue cycle management, a portfolio of GPO contracts and services, and insurance contracts with prescription drug plans and pharmacy benefit managers.
  - Intalere owns 50% of National Purchasing Partners, a non-healthcare group purchasing organization.
8. What policies or guidelines does the GPO have to address potential conflicts of interest with regard to other lines of business engaged in by the GPO and/or its parent or affiliated companies?
  - Intalere will not accept a corporate equity interest from any supplier nor will Intalere purchase such equity interest.

## **MONIES FROM VENDORS**

9. Describe the GPO's policy with respect to the receipt of sponsorship funds, grants for research or other educational programs, or any other source of non-administrative fee revenue from vendors. What policies does the GPO have to guard against any potential conflict of interest relating to such payments?
  - Intalere accepts sponsorship fees and booth exhibit fees in connection with its annual membership and supplier meetings each year. The money collected covers

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

the costs associated with the meetings and help defray the costs for the attending members.

- Actual or potential sponsorship funds, grants for educational programs, or any other source of non-administrative fee revenue from vendors are not ever considered in the evaluation of negotiations with, or the selection of vendors for GPO contracts.
  - All funding is disclosed on an annual basis to members via the annual safe harbor reporting process.
10. Does the GPO and/or its parent or affiliated companies accept vendor fees relating to conference sponsorship or exhibit booth space? What policies does the GPO have to guard against a potential conflict of interest relating to vendor participation in industry trade shows, and donations in general?
- Intalere accepts sponsorship fees and booth exhibit fees in connection with its annual membership and supplier meetings each year. The money collected covers the costs associated with the meetings and help defray the costs for the attending members.
  - Actual or potential vendor fees relating to conference sponsorship or exhibit booth space are not ever considered in the evaluation of negotiations with, or the selection of vendors for GPO contracts.
  - All funding is disclosed on an annual basis to members via the annual safe harbor reporting process.
11. Describe any services or products the GPO or its affiliates provide to vendors on a fee-for-service basis (e.g. data, claims processing, etc.).
- No other services or products were sold to vendors in 2015.
12. 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 (e.g. safe harbor reports)? If this document is publicly available, provide an electronic link to this information.
- Yes, disclosure of fees to be collected under the terms of contracts with suppliers are contained in the Contract Data Sheets that are available in Intalere's electronic catalog. In addition, Intalere provides reports to its members on an annual basis that detail administrative fees received on their purchases.
13. Does the GPO disclose to members all payments other than administrative fees the GPO receives from any vendor in the course of the GPO's group purchasing activities (e.g. booth space, educational grants, marketing fees, honoraria, etc.) whether from the purchasing activity of those members or not? Describe your disclosure practices.
- Yes, all payments received by Intalere are disclosed to members as part of the Annual Safe Harbor Reporting process.
14. Describe the GPO's policy with respect to returning administrative fees to an ineligible vendor.
- Intalere accepts fees for members who drop membership entirely for a period of 12 months as often times the transition to another GPO takes a period of time and the

fees are still due under the contract terms. Intalere believes that any purchase pursuant to one of its contracts is a purchase by an eligible member and reports all member purchases as required by the safe harbor regulations on an annual basis. In instances when a vendor reports inaccurate amounts or identifies payments that were not made on an Intalere contract, those administrative fees are returned to the vendor.

## MEMBER FEES

15. Does the GPO pay fees or offer equity 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?
- No, fees are paid on reported contract purchases only.

## BID AND AWARD/CONTRACTING ISSUES

16. Does the GPO have a publicly-available description of its bid and award process? If so, provide a link and written description of your bid and award process. If not, describe how it may be obtained.
- Yes. The current documents are posted on the Intalere website [www.intalere.com](http://www.intalere.com)
  - See <http://www.intalere.com/Portals/4/Intalere-Contracting-Process-January-2016.pdf?ver=2016-01-26-104217-340>.
17. Describe the GPO's requirements for how products or services are published so they are accessible to potential vendors. If a bidder is not awarded a contract, is that bidder able to review the decision criteria used to evaluate the bid? Include in your response a general description of the GPO's criteria for vendor selection.
- An 18 month calendar of product categories is posted on the website. Suppliers can indicate their interest in bidding on a particular product category directly on the website. See [www.intalere.com](http://www.intalere.com) See <http://www.intalere.com/Suppliers/Bid-Calendar-and-RFP-Process.aspx>.
  - Bidders are able to contact the Director of Contracting Solutions to discuss the results of the bid.
18. Describe the GPO's policy with regard to the use of single, sole, dual, and multi-source procurement and provide an example or two to support use of these contracting tools.
- Intalere primarily awards agreements on a dual-source basis. However, this may be modified as appropriate for each product category when deemed necessary by Intalere, with input from the appropriate Intalere membership input teams. The Request for Proposal (RFP) will clearly identify the type of award that is being considered in the contract category development process. The following definitions identify the various types of product awards:
    - Sole Source: A contractual commitment is made by Intalere for the national portfolio to include only one supplier. This type of award will require certain commitments from supplier, as well as a review and approval by senior management.

- Dual Source: A contractual commitment is made by Intalere for the national portfolio to include only two suppliers. This type of award will require certain commitments from supplier.
- Multi-source: A contractual commitment is made by Intalere for the national portfolio to include more than two suppliers.
- Single Source: A product award has been made to only one supplier in the portfolio but nothing in that single source award would preclude Intalere from making another award in the same product category to another supplier at some time in the future, if appropriate.
- In all situations, Intalere reserves the right to make an award on a market needs basis by market (class of trade, geographical region, etc.).
- Important Notes:
  - Options Agreements. Intalere strives to support its existing contract suppliers to the extent possible. Intalere will work to support the suppliers under contract in the specific product category as much as possible when a member is evaluating a product category. However, specific member(s) may request that Intalere include suppliers not currently under contract for the particular product category.
  - HUB Contracting. Intalere reserves the right to address member needs relative to HUB (minority, women and disabled American Veteran owned businesses) contracting. These agreements will not be considered in violation of an existing agreement when negotiated with certified HUB suppliers for specific members.
  - Overlaps in Product Categories. Many supplier portfolios are large and contain products that are included in another contracted supplier's portfolio. Many times the overlap products are small or minimal in nature and do not affect the award or competitiveness of the award. Intalere reserves the right to include overlap products on an agreement without violating other existing agreements.
  - New Technology. Intalere has and will continue to use and enforce its New Technology clause and add suppliers as applicable. At its discretion, Intalere will consider adding agreements or products in new technology areas without going through the described bid/RFP process. In some cases, a new technology claim for a product is readily identifiable and, the product is added to the Intalere portfolio as a niche product after the review is complete. In situations where there is a question about the claim by the supplier that a product represents new or niche technology, Intalere will, at its discretion, consult with the appropriate Member Input Groups (MIG) or the Intalere Member Input Board (MIB) for evaluation. This evaluation may take a number of avenues, which includes, but not limited to:
    - Requesting that the supplier with the proposed niche technology product meet with the MIB or MIG, as appropriate, for a review and demonstration of the product and the new technology claim,
    - Providing literature and samples to the MIB or MIG representatives for review at their individual facilities,
    - Review the technology during a routine conference call or similar venues.

- In all situations, the final decision will be communicated to the interested supplier within 60 days of the meeting or call.
19. Does the GPO permit bundling of unrelated products or services from the same vendor or from different vendors? If so, under what circumstances would the GPO consider bundling to be appropriate?
- Intalere does not accept contracts that require bundling across diverse product categories in order to receive the base benefits of the contract.
  - In 2013, Intalere created a Strategic Savings Program for its customers. This program provides customers with price reductions for commodity programs based upon their commitment to any purchases of products. We will sunset this program at the end of 12/31/16.
  - In 2015, Intalere created two programs, Intermountain Committed Contract Program (iCCP) and a Committed Savings Program (CSP) for its customers. These programs provide customers with price reductions for commodity product based upon their commitment to contracts in the program. These programs are provider lead. If an organization is unwilling to make a deeper commitment, they continue to have the products(s) available thru Intalere's base contracts which do not require a commitment to multiple suppliers.
  - Intalere does not permit bundling of unrelated products or services from the same vendor. It is acceptable for a supplier to offer additional discounts to members in return for increased utilization across supplier divisions and product categories.
  - Intalere does permit bundling of unrelated products or services from different vendors under the Strategic Savings Program.
20. Describe the process for contracting for clinical preference items. Describe the GPO's policy guiding the appropriate length/term of contracts for clinical preference products.
- The standard contract term is three years.

#### **ADMINISTRATIVE FEES**

21. What is the GPO's practice regarding the amount of administrative fees accepted? If there is a written policy, please provide an electronic link or copy of the GPO's policy regarding these fees.
- The overall average administrative fee is less than 3% and there is no minimum administrative fee requirement.
  - Administrative fees are negotiated on an individual contract basis.
  - Intalere does not impose a minimum fee on any supplier.
  - The majority of Intalere contracts and for clinical items, in particular, have a 3% administrative fee or less.
  - 95.8% of all contracts include fees of 3% or below and 4.2% of all contracts have fees above 3%. All fees are disclosed and reported per Federal Safe Harbor guidelines.

22. Describe the conditions in which the GPO accepts administrative fees beyond 3 percent, requiring specific (not blanket) disclosure under the Federal Regulatory Safe Harbor provisions?
- These agreements are typically services such as, consulting, relocation, and insurance.
23. Describe the range of administrative fees accepted and examples of the types of contracts (without specifying specific proprietary information) that have administrative fees greater than 3 percent.
- 3.1 – 5% - Consulting Services, Pest Management
  - 4% - Office furniture, Moving/Relocation Services,
  - 5% - Foreign language interpreter, Medical transcription
  - 10% - Insurance Consulting

### **PRIVATE LABEL PROGRAMS**

24. Describe whether the GPO has a private label program and if so, describe the products the private label program covers.
- Intalere provides additional value to members through Intalere Choice, a private label program.
  - The products covered under this program are primarily commodity and pharmacy products.
  - Fees are paid by suppliers in the form of annual license fees, which are based upon the value of the Intalere Choice name, additional sales and marketing efforts by a dedicated Intalere Choice team and overall volume of the program.
  - Intalere has policies/procedures in place that outline the process of determining appropriate product categories for private label consideration, evaluating proposals and making award decisions.
25. Describe the GPO's practice regarding administrative fees derived from a private label program.
- Intalere receives license fees from vendors participating in the Intalere Choice program. Intalere discloses all such licensing fees to its client's through contract data sheets and the Annual Safe Harbor reports. Intalere does not accept upfront fees, marketing fees, signing bonuses or equity arrangements.
  - Private label agreements are three party agreements between Intalere Choice, Intalere and the supplier. An administrative fee of 3% or less is paid to Intalere. A license fee is paid to Intalere Choice, a subsidiary of Intalere, which is based upon the value of the Intalere Choice services provided pursuant to the contract.

### **VENDOR GRIEVANCE PROCESS**

26. Describe the GPO's policy and process with respect to responding to a vendor's grievance regarding the bid/award process.
- Any supplier who believes they have a grievance concerning their experience with the Intalere competitive contracting process may file a grievance in writing within



30 days of the announcement of the award by sending an e-mail to the appropriate Director of Contracting Solutions, stating the reasons for the grievance with copies to Mike Costabile, the Intalere Compliance Officer ([mike.costabile@Intalere-gpo.com](mailto:mike.costabile@Intalere-gpo.com)) and Jeremy Belinski, the EVP & Chief Operating Officer ([jeremy.belinski@Intalere-gpo.com](mailto:jeremy.belinski@Intalere-gpo.com)).

- Intalere will acknowledge receipt of grievance immediately and provide a detailed response within 90 days. Included in the response will be the following information:
    - Major elements which were considered in the final selection
    - Rationale for final decision
  - In the event that this review indicates that the appropriate contracting processes were not followed by the Intalere contracting team, the Intalere Chief Operating and Compliance Officers will identify, in their sole discretion, a course of action, which may or may not include reevaluating the award decisions.
27. Did any supplier, since submission of the last GPO’s Public Accountability Questionnaire, request an evaluation pursuant to the HGPII Independent Evaluation Process? If so, please provide information regarding the outcome of such evaluation.
- No
28. Does the GPO participate in HGPII’s Independent Evaluation Process?
- Yes
29. Is the HGPII Independent Evaluation Process displayed on the GPO’s public website? If so, please provide an electronic link to this information.
- <http://www.intalere.com/Suppliers/Supplier-Grievance-Process.aspx>

## **INNOVATION**

30. Describe the GPO’s policy and process to evaluate and provide opportunities to contract for innovative products and services.
- Intalere supports the importance and impact of new technology on patient care. Through a provision in Intalere’s Corporate Contracting Principles, Intalere stresses the support of research regarding emerging technologies and through Intalere’s policy enabling it to contract with vendors of new and unique technology at any time, Intalere encourages innovative product selection. Intalere also hosts a Niche/New Technology Supplier Show.
31. Does the GPO have the right to enter into a GPO contract for innovative technology at any time during its bid and award cycle? Describe the process the GPO has for fostering the development of GPO contracts for innovative products.
- Intalere has a specific niche/new technology process and a dedicated resource to facilitate the review and contract consideration of new technology. Also, see 30.
  - Intalere includes a new technology provision in the contract boilerplate that allows for the addition of new technology to avoid interference with product categories already under contract.

- 32. Are GPO members allowed to evaluate products and/or communicate with vendors, regardless of whether a vendor has a contract with the GPO?
  - Yes
- 33. Are GPO members allowed to purchase non-contracted products or services directly from non-participating vendors?
  - Yes, Intalere’s flexibility allows for members to write custom agreements and private agreements.

**VENDOR DIVERSITY PROGRAMS**

- 34. Describe the GPO’s program or activities that encourage contracting with Diverse Suppliers (small, women-owned, veteran owned, minority-owned). Explain how you promote or market those programs to the GPO’s membership and to Diverse Suppliers.
  - Intalere actively seeks out diversity suppliers, including both minority and woman-owned business, and encourages member suggestions for potential diversity suppliers. Intalere members are free to decide to purchase outside of the Intalere contract portfolio based upon their own assessment of the importance of engaging diversity suppliers without conflict or pressure from Intalere.
  - Intalere is also one of the founding members of the Healthcare Supplier Diversity Alliance (HSDA) which is an informal network of healthcare organizations who are working together to grow market share for diverse companies in healthcare. HSDA builds and facilitates programs that raise awareness of supplier diversity in healthcare, provides diversity business enterprises with information and instruction on navigating the healthcare supply chain that will enhance the development of their organizations, and builds network relationships to provide opportunities to strengthen market share.
- 35. Has the GPO increased contracting with Diverse Suppliers over the prior year(s)? If so, quantify these increases within each Diverse Supplier category (SBE, WBE, VBE, and/or MBE).
  - Yes. In comparison to the previous year, the number of contracts with sales through small, women-owned, minority-owned and veteran-owned businesses has increased by 6%. The category breakdown is in the chart below. The overall sales remains flat.

Diversity Type	% change in # contracts w/sales	% change in sales
Minority-Owned Business	0%	1%
Woman-Owned Business	-10%	-1%
Veteran-Owned Business	0%	-3%
Small Business	20%	0%
Total	6%	0%

- 36. Does the GPO have a Supplier Diversity Committee or other program or group for developing diversity goals and expanding opportunities? If so, describe. What are its mission, goals, and objectives? Does it work directly with the GPO’s sourcing team in

developing its goals and expanding opportunities? What are the Committee's significant achievements over the GPO's last fiscal year? If it is a committee, who are its members and how frequently does it meet?

- Intalere does not currently have a Supplier Diversity Committee. We do have a Supplier Diversity Program Manager who works with customers as requested, contracting staff and suppliers in order to explore opportunities related to Supplier Diversity. The goals of the program are to make sure diversely owned suppliers are treated fairly and equitably in RFP opportunities; to market contracted diverse suppliers to Intalere members and support related member needs; and to provide certain benefits that exist only for contracted diverse suppliers. Intalere firmly believes that minority-owned, veteran-owned and women-owned businesses are the cornerstones of economic development. The Intalere Supplier Diversity Program works to solidify that foundation and create increased opportunities for these businesses.
  - Intalere fosters business relationships with minority-owned, veteran-owned and women-owned businesses where it supports and reflects the needs of the membership. In addition, those contracted Intalere suppliers that do business with minority-owned, veteran-owned and women-owned suppliers will be viewed as providing additional value to Intalere members.
  - To be considered for a first tier position, a minority-owned, veteran-owned and women-owned business must provide market competitive pricing and/or service and support, and provide a purchase advantage for Intalere members. Intalere also cultivates minority-owned, veteran-owned and women-owned businesses by linking them with Intalere supplier partners interested in this type of business development. Minority-owned, veteran-owned and women-owned businesses not interested in a direct contracting relationship might provide a finished product or service that is incorporated into the offering of another Intalere supplier partner, thus benefiting from the national presence of their new partner.
  - Intalere is also one of the founding members of the Healthcare Supplier Diversity Alliance (HSDA) which is an informal network of healthcare organizations who are working together to grow market share for diverse companies in healthcare. HSDA builds and facilitates programs that raise awareness of supplier diversity in healthcare, provides diversity business enterprises with information and instruction on navigating the healthcare supply chain that will enhance the development of their organizations, and builds network relationships to provide opportunities to strengthen market share.
37. Does the program described in question 36 provide education to member health systems regarding diversity program best practices and/or how to establish a Supplier Diversity Program within their system? Does it solicit member feedback to ensure it is meeting member expectations?
- Intalere's Supplier Diversity Program Manager provides information and guidance to members as requested in order to support members with their supplier diversity program efforts. The Program Manager asks each member directly when working with them what needs they have and if Intalere can assist them in any further way to meet those needs.

38. Describe any other actions concerning Supplier Diversity you think are important that are not covered by the preceding questions.
- Intalere's outreach efforts include us sponsoring scholarships for the Tuck Business School at Dartmouth's program targeting Supplier Diversity professionals. This program includes a healthcare supply chain education piece and teaches minority business owners and professionals how to navigate within the healthcare industry.
  - We also invite diverse suppliers in various meetings as appropriate such as our annual niche/new technology fair at our annual conference. This gives diverse suppliers we do not contract with the opportunity to showcase their products/services to contracting staff and key customers. Attendees provide their input regarding whether or not they believe the supplier is offering value and direct feedback is given to the suppliers.
  - Our Supplier Diversity Program Manager is on the board of HSDA and Amerinet/Intalere was a founding member of this organization. Intalere is a member of this organization and sponsors their annual symposium.

## CODE OF CONDUCT

39. Provide a copy of (as well as an electronic link to) your GPO's written code of business ethics and conduct and describe any changes from the previous HGPII reporting year.
- See <http://www.intalere.com/Portals/4/Amerinet%20Documents/Standards%20of%20Business%20Ethics%20and%20Conduct.pdf>. There were no changes to the written code of business ethics and conduct in 2015.
40. 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. How often is the code of conduct provided to employees? Do employees receive annual refresher training on the GPO's ethics and the code of conduct? Describe the content of the training and the method of delivery.
- The Intalere Conflict of Interest and Standards of Business Ethics and Conduct policies are provided to all newly hired employees and annually thereafter. In addition, they are included in the Intalere Employee Handbook and on the online internal website for all employees.
  - It is distributed annually to all of the board of directors.
  - It is not distributed to members of clinical advisory committees, but discussed prior to any advisory committee meeting and is available on our website.
  - It is not distributed to all agents and contractors that participate in GPO activity, but is available on our website.
  - It is not distributed to vendors and others with whom we do business, but is available on our website.
  - Every other year we provide refresher training to our sales generalists and clinical sales specialist personnel. The program provides specific instruction and review on code of conduct, business ethics, contracting policies and industry best practices. In

addition, at least annually all employees are notified of the importance of compliance and ethics and reminded how to have concerns addressed. The importance of compliance and ethics and how to report any issues is discussed in the orientation program for all new employees. The programs are conducted in person. Information on how to report any issues is frequently provided and emphasized.

41. 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.
- Employees have several options, in addition to their immediate supervisor, for reporting possible violations to the Standards of Business Ethics and Conduct policy. They may discuss their concerns with the next level of management, with a Human Resources representative, or with Intalere's Compliance Officer.
  - Intalere has also contracted with "The Network" to provide hotline services to our employees and business partners who wish to anonymously report violations. The hotline service is discussed annually, in person at employee meeting at the various Intalere locations. An article is featured at least annually in the Intalere employee newsletter. Employees have been provided with brochures on how to contact "The Network" and posters and brochures are posted on site. We also have information on our web site regarding the hotline and how business partners may report suspected violations.

## **REPORTING POTENTIAL ETHICAL VIOLATIONS**

42. What process is used to protect the confidentiality of the reporting employee's identity and what safeguards are in place to mitigate the opportunities for retaliation?
- Employees have several options available to them if they suspect a violation to the Standards of Business Ethics and Conduct has occurred.
    - The employee may contact the Compliance Officer for Intalere in writing, by telephone, or in person to discuss your concern.
    - The employee may contact another member of senior management if you are uncomfortable discussing your issue with the Compliance Officer.
    - The employee may call the toll-free Compliance Hotline if they wish to remain anonymous when reporting their concern. The compliance hotline has been established for employees and business partners to anonymously report violations to the Standards of Business Ethics and Conduct. The hotline is answered live 24 hours a day, 365 days a year and is staffed by professionals trained to interview individuals reporting compliance violations. The employee does not need to give their name or telephone number and the caller will not be identified or recorded. The employee will need to call a second time using the identification number the hotline interviewer will provide in case additional information is needed to conduct a thorough investigation. A copy of the report will be forwarded to the Compliance Officer.

- **There will be no retaliation taken by the company against an employee for reporting a violation.** However, there will be disciplinary action taken up to and including dismissal for willfully making false accusations.
  - Prevention: Of course the best way to avoid violations is through prevention. If the employee is unsure whether a decision or course of action will result in a conflict of interest, they may complete a “Request for Determination of Possible Violation of Standards of Business Ethics and Conduct” form and submit it to the Compliance Officer. They will receive a written reply within three (3) business days. They may also call the Compliance Hotline if they prefer.
43. Describe how the GPO follows up on reports of suspected violations of the code of business ethics and conduct to determine if a violation has occurred and if so, who was responsible. Describe corrective and other actions taken in such circumstances.
- If the hotline receives a complaint, the Compliance Office is notified. The Compliance Officer is responsible to investigate, document, determine what has occurred and who may be responsible, and to resolve whether by corrective action or other action each notification of a suspected violation. In doing so, the Compliance Officer uses reasonable judgment to question the appropriate parties on the facts. Once, enough information has been acquired in order to make an informed decision, the action is taken to provide proper resolution and closure for the reported incident or question. The Compliance Officer will report all complaints submitted by the hotline, the results of the related investigations, and the subsequent actions taken to the Board of Directors. The process is documented and retained in the Compliance Log.
44. Describe the processes the GPO follows up on, to monitor on a continuing basis, adherence to the written code of business ethics and conduct, and compliance with applicable federal laws.
- Corporate activities are monitored by the Company Compliance Officer. As needed, external legal counsel is consulted.
  - In addition and as appropriate, the Compliance Officer will consult with other individuals such as the CEO, COO and CHRO.
  - Quarterly detailed reports and an annual summary are provided to the Board of Directors.
45. Are periodic reports on the GPO’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? Are periodic reports on the company’s participation in HGPII made to the GPOs Board of Directors or to a committee of the Board? If so, please state how often and in general, what information is reported.
- Reports are made to the Board on quarterly and a summary of the year is made annually. The reports provide details of the issues and resolutions to items, as well as other items and actions related to ethics and compliance. Items that are sensitive in nature or require immediate actions are brought to the Board as they occur.
  - An update is given after the Best Practices Forum as well as submissions of the (Public Accountability Questionnaire) PAQ each year and at other meetings if there is activity to report.

46. How many of your GPO employees attended the Best Practices Forum in 2015? Include the name of the most senior executive who attended.
- 3 people attended.
  - Jim Marziale, Sr. VP, Acct Mgt & Field Specialist, was the most senior executive to attend.
47. List the name, title and contact information of the senior manager assigned responsibility to oversee the business ethics and conduct program. Provide the name, title and contact information for the individual(s) responsible for responding to this report.
- Michael Costabile is the senior manager assigned to oversee the program and the individual responsible for responding to this report.
  - Michael D. Costabile, Chief Financial Officer & Chief Compliance Officer  
Email: [mike.costabile@Intalere-gpo.com](mailto:mike.costabile@Intalere-gpo.com)  
Phone: 314.542.1901

## Ethics Excerpt from Amerinet Employee Handbook

### AMERINET, INC. STANDARDS OF BUSINESS ETHICS AND CONDUCT

Amerinet has established Standards of Business Ethics and Conduct for Amerinet and its employees. Business ethics involve being fully aware of what we are doing, including the potential consequences of our actions. It is the responsibility of every employee to uphold these standards and to ensure that their personal conduct does not conflict with or violate these standards.

#### **Employee's Responsibility:**

In accepting a position with Amerinet, you have accepted the responsibility to do your very best every day, abide by the policies of the company, and maintain the highest ethical standards. Additional responsibilities Amerinet expects include but are not limited to:

- ◆ Be loyal to Amerinet. Make choices on behalf of the company. Making ethical choices is a state of mind.
- ◆ Be law abiding; comply with all domestic and foreign laws; comply with all legal standards that relate to our company and industry.
- ◆ Be clear, truthful, and accurate in all communications with others including the information we provide relative to Amerinet programs, services, supplier/distributor contracts, and pricing.
- ◆ Do not disclose confidential information.
- ◆ Be responsible and reliable in carrying out all job responsibilities.
- ◆ Be respectful, cooperative, fair, and consistent in all relationships and dealings.
- ◆ Be economical and prudent with business resources.
- ◆ Be sensitive to situations that could constitute or give the appearance of a violation of standards or the appearance of impropriety. Seek advice from supervision/management when the course of action is unknown or unclear.
- ◆ Refrain from giving, accepting, or requesting gifts or favors that could improperly influence transactions with suppliers and distributors and their employees and agents.
- ◆ Report violations of these Standards to a member of senior management.

All employees share responsibility for maintaining these Standards and are required to contribute to a workplace environment that is conducive to maintaining the Standards. Violation of the Standards of Business Ethics and Conduct may result in disciplinary action up to and including possible termination.

#### **Amerinet's responsibility:**

- ◆ Fostering an environment conducive to the implementation and ongoing adherence and support of these Standards of Business Ethics and Conduct.
- ◆ Overseeing that all current and new employees have received, read, and understand the importance of the Standards of Business Ethics and Conduct policy by securing employee signatures on the "Amerinet Standards of Business Ethics and Conduct Acknowledgement Statement and Disclosure and Certification Form".



- ◆ Demonstrating commitment via conduct and managing the business activities of employees in accordance with these Standards.

**Proprietary and Confidential Information** – Most employees will likely come into contact with confidential information regarding pricing, contractual agreements, administrative fee information, negotiations, studies, membership lists, computer programs, shareholder information, competitor analysis, trade secrets, strategic plans, financial records, and proposed or existing programs, products, and services. The security and protection of proprietary and confidential information is an integral part of every employee's job, whether or not he/she works directly with such information.

Confidential information must not be discussed with or released to other people, either inside or outside of Amerinet, unless such discussion or release is with those who have a need for such information in order to perform their assigned jobs on behalf of Amerinet. Any requests for information from outside organizations such as customers, manufacturers, suppliers, distributors, individuals, the press, etc., should be reviewed carefully. If in doubt, consult your supervisor or a member of senior management. The release of confidential information to competitor organizations or other unauthorized individuals and companies may result in immediate dismissal.

**Business Partner Relations** – Amerinet has built its strong reputation in the market as a company that operates with integrity and high ethical standards. Amerinet prospers to the degree that we serve our customers – Amerinet network of companies, affiliates, and members – well, and maintain successful relationships with our business partners – manufacturers, suppliers, distributors, and other participating vendors that have contracts or submit formal bids to provide goods or services to our members.

- ◆ In these vital relationships, our dealings must be fair, honest, reasonable, and consistent with established corporate policies, applicable laws and regulations, and sound business practices.
- ◆ Effective customer relations demand a total commitment to quality programs, competitive manufacturer/supplier/distributor agreements, and high quality service.
- ◆ Amerinet customers must believe that they are dealing with a company that has a clear understanding of their needs and a genuine interest in providing effective solutions to their problems.
- ◆ Our negotiation and/or bid process will therefore promote competitive pursuit of agreements/contracts for our members (to the maximum extent practicable).
- ◆ Selection of manufacturers, suppliers, and distributors shall be on the basis of objective criteria such as membership need, quality, cost/price, schedule/delivery service, technical/educational support, and maintenance of adequate regional sources of supply.

The integrity of an Agreement/Contract between Amerinet and a manufacturer, supplier, or distributor must always be maintained. Anyone engaging in practices or utilizing procedures which conceal or facilitate illegal or improper payments or receipts, or which supports an inference of wrongdoing as described in the following sections, seriously jeopardizes Amerinet's important business relationships and contractual arrangements with manufacturers, suppliers, and distributors. Such actions may subject the employee,

company, and outside wrongdoers to civil and even criminal charges. Furthermore, such actions may subject the employee to disciplinary action up to and including dismissal.

**Conflict of Interest** – Every employee has a duty of loyalty to Amerinet. An employee cannot have any business, financial, or other relationship with outside manufacturers, suppliers, distributors, or competitors that might impair, or appear to impair, the independent judgment rendered on behalf of the company. Actions that may involve a conflict of interest must be avoided both in business and personal relationships and activities. Questions or concerns regarding potential conflict of interest situations should be discussed promptly with your supervisor or with the Compliance Officer as outlined in the “Amerinet Conflict of Interest” policy.

Employees are primarily responsible to Amerinet and therefore cannot engage in outside employment or activity that would conflict with Amerinet's interests or reduce the efficiency of the employee in performing his/her duties at Amerinet. This includes serving as a consultant, officer, or director of a manufacturer, supplier, distributor, or other Amerinet business partner. Employees are to notify their supervisor of any outside employment to avoid a conflict of interest.

**Entertainment, Gifts, and Favors** – An Amerinet employee cannot place him/herself under obligation to others by providing or accepting gifts, favors, or entertainment designed to influence the individual in the performance of his/her duties for Amerinet. Employees must assure that any gifts, favors, or entertainment that they accept from Amerinet's business partners (manufacturers, suppliers, and distributors) are handled in accordance with these Standards.

Any expenditure for meals and entertainment in connection with business discussions must be authorized and documented for expense reimbursement.

Business meals, entertainment, and promotional gift items of nominal value (does not exceed \$50 per instance or \$100 in any calendar year) may be accepted provided they are not an inducement to favor a manufacturer, supplier, or distributor doing or seeking to do business with Amerinet. Any item, service, or other thing of value that costs \$10 or less shall not be counted toward the \$100 annual limit per business partner. Please see your supervisor or member of senior management if you are unsure if the value of a gift is appropriate.

**Business Meeting Attendance** – Amerinet employees are at times required to travel as part of their job function. It is Amerinet's policy to support its own travel expenses and operate within established budgetary guidelines.

- ◆ There must be a clear business purpose with a pre-established agenda.
- ◆ The meeting should be scheduled in such a way as to be as efficient and productive as possible.
- ◆ The meeting should benefit Amerinet's business and/or create value for Amerinet's members.

Visits by Amerinet employees to suppliers for the purpose of educating the supplier on Amerinet's business practices and the needs of Amerinet's members, even at the request

of the supplier, must meet the criteria of value to Amerinet and/or its members, and shall be at Amerinet's expense. Guidelines concerning meals, gifts, entertainment as outlined above shall be followed.

Attendance at industry events which include representatives from multiple organizations are considered acceptable even if sponsored by a contracted supplier. As outlined above, attendance shall be judged on the basis of value to Amerinet and/or its members, and such expenses shall be borne by Amerinet. Individual activities at such events must follow the gift and entertainment guidelines previously outlined.

Honorariums are not acceptable under any circumstance.

**Stock Ownership and Inside Information and Investment Disclosure:** In no instance may Amerinet employees use or share inside information, which is not otherwise available to the general public, for any manner of personal gain or for the benefit of anyone else, as might be realized through the stock trading of any manufacturer, supplier, or distributor company.

In order to avoid potential conflicts of interest, or the perception thereof, the following individuals shall not have any individual equity interest in the companies specified.

- ◆ Amerinet senior management, President and chief-level positions, contracting vice presidents and exempt contracting employees shall not own any individual equity interest in any of Amerinet's business partner companies nor with any suppliers of health care products with which they have contracts or bids for contracts or in which it is reasonably likely that Amerinet may contract within the foreseeable future.
- ◆ Amerinet senior management, contracting vice presidents, and exempt contracting employees are prohibited from involvement in any contracting activities with companies in which they hold an individual equity interest.

Definitions:

- ◆ Senior management shall mean all members of the senior leadership team.
- ◆ Contracting employees shall mean contracting vice presidents and exempt contracting staff with responsibility for developing or negotiating agreements and contracts with Amerinet's business partners.
- ◆ Business partners shall mean manufacturers, suppliers, and distributors with whom Amerinet has a contract or has received a contract proposal.
- ◆ Individual equity interest is defined as stocks, securities, options, warrants, debt instruments (including loans), or rights to acquire any of the foregoing, but excludes interests in mutual funds or other interests held in which all investment decisions are independently managed by a third party.
- ◆ Personal investments – These guidelines apply to the portfolio of personal investments that are directly controlled by the eligible Amerinet employee and are to the benefit of that employee.
  - Excluded investments – Investments that are not controlled directly by the eligible employee are not included in this disclosure policy. Examples of

excluded investments are mutual fund holdings and investments in a blind trust.

Disclosure:

- ◆ All senior management, contracting vice presidents, and exempt contracting employees shall be required to annually disclose to Amerinet all equity interests (excluding mutual funds) in companies with which Amerinet currently has contracts or with which Amerinet signs contracts in the future. The employee's entire investment portfolio need not be disclosed, just investment interests in companies with which Amerinet has contracts.
- ◆ Each eligible employee will be required to complete and submit a Disclosure and Certification Form to the Human Resources Division in December of each year and within 30 days of the release of a bid or request for proposal to any such company.
- ◆ Senior management, contracting vice presidents, and exempt contracting employees will be expected to dispose of stock holdings which violate Amerinet policy within six months of knowledge of the potential conflict. Until such divestiture, affected individuals shall be recused from any involvement in any contracting activities involving the company in question.
- ◆ Amerinet will exercise its best efforts to oversee that all such information will be kept strictly confidential, although the employee's immediate supervisor will be made aware of any contracts with which the employee must avoid involvement.

**Antitrust Laws** – A wide range of transactions or practices is prohibited under antitrust laws that exist to promote competition and prevent price fixing. No agreement or understanding may be made with competitors to fix or control prices; to allocate products, markets, or territories; to boycott certain customers or suppliers; or to refrain from or limit the manufacturing, sale, or production of any product or product line. Employees are also prohibited from taking any actions to illegally monopolize or attempt to monopolize any line of business or activity within the group purchasing industry.

Employees involved in professional and trade association activities where formal or informal communications with competitors may occur, must be especially alert to the requirements of the law. Arrange with the Human Resources Division to consult with corporate legal counsel if there is any doubt as to the application of the antitrust laws.

**Political Contributions** – Amerinet encourages all employees to participate on an individual basis in political and civic activities of their choice. However, no Amerinet funds or other assets are to be contributed to any political party, to the campaign of any person for political office, or in opposition to such party.

**Compliance Officer Responsibilities:**

The Compliance Officer responsible for implementation, enforcement, and control of the Standards of Business Ethics and Conduct for Amerinet is the Chief Financial Officer for Amerinet, who reports directly to the Amerinet Board of Directors in these matters. The Compliance Officer is responsible for:

- ◆ Receiving a copy of all reports of potential/perceived violations, overseeing the investigation of each report, approving the corrective action, if any, to be taken to resolve a violation, if found to have occurred, and reporting the receipt and disposition of all reports of potential/perceived violations to the Board on an annual basis.
  - Corrective action may include implementing tighter financial controls, creating audit procedures, and establishing more frequent management oversight. Corrective action against individuals may include disciplinary and/or legal action up to and including termination and prosecution depending on the circumstances and seriousness of the violation.
- ◆ Conducting ongoing compliance monitoring and auditing activities;
- ◆ Seeking advice from legal counsel, audit firm [**Outside auditors?**], industry professionals, and law enforcement agencies as appropriate;
- ◆ Drafting responses to government inquiries for review by legal counsel and the Chief Executive Officer of Amerinet.
- ◆ Overseeing that each employee receives a copy of the Standards of Business Ethics and Conduct policy upon hire and annually thereafter;
- ◆ Overseeing that each eligible employee signs and submits the “Amerinet Standards of Business Ethics and Conduct Acknowledgement Statement and Disclosure and Certification Form” by December 31 of each year;
- ◆ Providing education and training programs and materials on an ongoing basis to oversee that employees are updated on legal developments, comprehend the importance of complying with the Standards and the consequences for violations, and are aware of their avenues to report potential/perceived violations;
- ◆ Investigating reports of potential/perceived violations and implementing approved corrective action when appropriate;
- ◆ Reviewing investigation and auditors’ findings and making recommendations for addressing.

### **Compliance Hotline [The Network: 877-888-0002]**

A toll-free compliance hotline has been established for employees and business partners to anonymously report potential/perceived violations to the Standards of Business Ethics and Conduct. The hotline is answered live 24 hours a day, 365 days a year and is staffed by professionals trained to interview individuals reporting potential compliance violations. You do not need to give your name or telephone number and your call will not be identified or recorded. You will need to call a second time using the identification number the hotline interviewer will provide in case additional information is needed to conduct an investigation. A copy of the report will be forwarded to the Compliance Officer.

### **Procedure for Reporting Potential/Perceived Violations**

You have several options available to you if you suspect a violation to the Standards of Business Ethics and Conduct has occurred.

- ◆ You may contact the Compliance Officer for Amerinet in writing, by telephone, or in person to discuss your concern.

- ◆ You may contact another member of senior management if you are uncomfortable discussing your issue with the Compliance Officer .
- ◆ You may call the Compliance Hotline if you wish to remain anonymous when reporting your concern. The hotline interviewer will submit a report of your call to the Compliance Officer.

The Compliance Officer will determine the appropriate course of action to take regarding an investigation. Each report will be logged, investigated, and addressed. If the investigation indicates a violation has likely occurred, the Compliance Officer will determine the appropriate course of corrective action to take and will implement that course of action.

The Amerinet Board of Directors will receive an annual list of reports filed, results of the subsequent investigation, and any corrective action taken if the investigation revealed a violation has likely occurred.

If the Compliance Officer is implicated in the report, the President will handle the investigation.

Once you have reported a suspected violation, we will appreciate and expect your continued cooperation with the Compliance Officer or Hotline Interviewer, although the resolution of the situation may be confidential.

**There will be no retaliation taken by the company against an employee for reporting a potential/perceived violation.** However, there will be disciplinary action taken up to and including dismissal for willfully making a false report.

Prevention: Of course the best way to avoid potential violations is through prevention. If you are unsure whether a decision or course of action might result in a conflict of interest, please complete a “Request for Determination of Possible Violation of Standards of Business Ethics and Conduct” form and submit it to the Compliance Officer. You will receive a written reply within three (3) business days. You may also call the Compliance Hotline if you prefer. Be sure to follow up with the hotline representative to receive the answer to your question within business three days.