Healthcare Group Purchasing Industry Initiative

Eleventh Annual Report to the Public

July 2017

HGPII Coordinators
The Honorable Philip English
The Honorable Byron Dorgan

Arent Fox LLP

Table of Contents

Executive Summary HGPII

As the Healthcare Group Purchasing Industry Initiative (HGPII) enters its eleventh year of oversight of the healthcare supply chain, we remain optimistic that the Group Purchasing Organization (GPO) sector is making a tangible contribution to the restraint of healthcare costs, and is doing so while adhering to the best business practices. The individual GPOs that subscribe to the HGPII standards and participate in our process continue to cultivate a competitive culture that weds modern procurement methods with the highest ethical standards. The result is that the healthcare supply chain is increasingly transparent, diverse, sustainable and welcoming to innovation. These benefits reflect the commitment of the HGPII signatories, and their partners, to an ethical marketplace in a health care system that is challenged to realize economies.

The HGPII process – involving questionnaires, interviews, ethics training, disclosure, diversity promotion, and voluntary submission to oversight – has become a familiar and indispensable part of business practices within the GPO community, regardless of the size or scope of the organization. The largest and most recognizable of the group purchasing firms have shared a dedication to the sustained efforts necessary to achieve an ethical group purchasing system committed to delivering high value to healthcare providers. These members of HGPII have embraced the Initiative's standards, from the CEO to every clerk, applying them to daily purchasing decisions for the benefit of healthcare providers nationally.

The HGPII team at Arent Fox LLP has continued to pursue our mandate to oversee the application of best practices and the pursuit of cost savings and rules for the benefit of patients. The HGPII Coordinators are able to certify that HGPII disciplines are being observed in every member organization, with confidence that group purchasing is contributing to better choices and real savings.

In the report below, we attempt to document the patterns in the supply chain that confirm real progress in the pursuit of best practices. We also explore real ethical and practical issues central to the promise of quality and predictable outcomes. Finally, we determine that the HGPII members are maintaining a lengthy set of commitments to internal controls that provide predictability and fairness to vendors, providers and, ultimately, patients.

Outlook of the Healthcare and the Role of GPOs in the Industry

The aftermath of the 2016 election has injected great uncertainty into the structures of the American healthcare system. As the result of programmatic uncertainty and rising cost pressures traceable to both federal and state policies, healthcare providers face a virtual minefield. These stresses are being applied to a system already shaken by an unexpected scale of financial and technological change. Health systems adapting to universal coverage and rising costs have a relative source of stability and collective support: a sophisticated supply chain mediated by competitive GPOs.

The healthcare supply chain is a source of predictability, transparency and technological innovation in stormy times. It is also a partner in relieving expense pressure by providing countervailing cost controls. This support requires state-of-the-art purchasing expertise and economics of scale: as the result, healthcare group purchasing organizations are experiencing increasing consolidation, and many smaller networks are partnering with larger entities to provide joint services and maximize value. GPOs, a phenomenon over a century old, are increasingly relevant to health providers seeking to maximize their purchasing power while maintaining quality. At the same time, communities are demanding results in overseeing healthcare spending that contribute to diversity, sustainability, technological innovation and other public benefits, as well as ethical outcomes.

Review of GPO's Adherence to Ethical Standards and Best Practices

GPOs play an important role in containing the costs of expenditures in the healthcare industry. As their role in stabilizing costs continues to be recognized, it is critically important that GPOs continue to meet the goals of adhering to the highest ethical standards and engage in business practices that facilitate growth, transparency, opportunities for innovation, and the best value for its products and services. HGPII's analysis confirms that our GPO members are meeting these goals.

GPOs continue to adhere to the highest possible ethical standards and incorporate the best practices into their business models. Our evaluation of GPOs participating in HGPII has found the following:

1. Business Structure and Conflicts of Interests: GPO members had a clear line of delineation in their ownership structures, including their parent or affiliated companies. A number have Board of Directors and other governing bodies that have an individual who represents the interests of GPO customers and employees, while a majority do not have a Board member who also serves as an employee, officer, or director of a participating vendor.

   Participating GPOs take constructive steps to reduce potential conflicts of interests with their employees, particularly those who serve in positions of influence. Each have robust written conflicts of interest policies that outline the requirement employees must adhere to and require employees review these policies on a regular basis. Additionally, employees who are in positions of influence are generally discouraged from owning equity in a participating vendor. In those instances where the employee does have equity in a participating vendor, they are required to disclose that relationship. Disclosure requirements generally apply to immediate family members of employees as well. They also require employees to reveal any gifts they have received from participating vendors. Not all participating GPOs allow employees to receive such gifts. In those instances where gifts are permissible, there are clear limits on the value of the gift that an employee can receive.

2. Other Lines of Business Outside of the GPO Practice: Most of the GPOs participating in HGPII offer other business services to their members through a separate contract. Many of the services offered are complimentary to the GPO's group purchasing activities, such as consulting services related to supply chain management and analytic services that generally are aimed at reducing operational inefficiencies. The GPOs that offer other lines of business use their conflict of interest policies to reduce potential conflicts and improprieties in their business practice.

3. Payment from Vendors: The majority of GPOs accept sponsorship funds for educational programs and vendor fees related to participation in conferences and the use of exhibit space at annual membership meetings. Such payments are not required for participation in a meeting or conference. Some GPOs report that they provide additional information regarding vendor sponsorship, grant and exhibit fees to their members upon request.

4. Contract Bid and Award Process: Vendors interested in competing for a contract with a GPO can find a description of the bid and award process on the GPO's website. Some GPOs use the Request for Proposals (RFP) process to review bids for some or all of its contracts. GPOs also, in some instances, make their contract schedule available to prospective vendors on their website. If a bidder is unsuccessful in getting an award for a contract, they generally are able to review the decision criteria used to evaluate the bid by requesting the information from the GPO.

5. Use of Single, Sole, Dual and Multi-Source Contracts and Bundling of Unrelated Products and Services: GPOs' decisions related to the use of single, sole, dual, and multi-source contracts are primarily member-driven and are premised on the goal of achieving the best overall value and quality. A variety of procurement models are used, particularly dual- and multi-sourced contracts. Generally, single-sourced contracts occur when the GPOs membership determines that such an agreement is in their best interest.

   GPO practices on the bundling of unrelated products and services from the same vendor or different vendors vary. While a few actively engage in bundling to receive the best value for their membership, most GPOs do no permit the use of bundling or will only do so if their members pursue it as a means of achieving the best value for products and services.

6. Administrative Fees: The majority of all GPOs participating in HGPII accept administrative fees up to, but not exceeding, 3%. In the limited instances where administrative fees exceed 3%, the fees are often associated with supplemental administrative services related to collecting outstanding fees and similar activities. For those GPOs that accept administrative fees beyond 3%, the fees are negotiated on an individual contract basis and are disclosed according to the federal Safe Harbor regulations. Note that HGPII makes additional findings regarding GPO administrative fees below.

Examples of the Types of Contracts with Administrative Fees Greater than 3%:

- Debt Collections Services
- Consulting Services
- Managed Freight Services
- Insurance Services
- Foreign Language Interpreter
- Temporary Staffing Services
- Pest Management

7. GPO Use of Private Label Programs: Only three of the GPOs participating in HGPII have private label programs that they offer to their members. Generally, current private label programs are intended to provide additional supply at favorable prices for the GPO's members, and in many cases the administrative fee structure for the private label programs parallel that of other GPO portfolio offerings to their members. A GPO that provides pharmacy products commented that it began doing so after receiving member feedback over the changing marketplace for these products, including concerns with drug shortages.

8. Vendor Grievance Process: To ensure that vendors have a means to resolve legitimate disputes within the contract review process, all GPOs have a formal process for responding to vendor grievances regarding the bid and award process. In a few instances, the grievance process is directed by a GPO's Compliance Officer. Over the course of the year in question, HGPII was contacted in one instance regarding the availability and use of its independent dispute arbitration mechanism: this case subsequently did not advance in the process. Additionally, all the participating GPOs engage in HGPII's Independent Evaluation Process and display the process on their public websites.

9. Opportunities to Contract for Innovation Products and Services: GPOs have a policy and process in place to readily evaluate and provide opportunities to enter into contracts for innovative products and services. GPOs generally have an extensive process to evaluate and review clinical products and may enter into a new contact for such services at any time. Most of the standard GPO contracts have a clause that allows the GPO to enter into a contract with a vendor to offer innovative technology product at any time. Additionally,

GPO members are permitted to evaluate products and communicate with all vendors, regardless of whether the vendor has a contact with the GPO. There also are no restrictions on GPO members purchasing non-contracted products or services directly from non-participating vendors. On the basis of cumulative surveys of its member organizations, HGPII concludes that healthcare group purchasing activities by members of the Initiative have not created barriers to the timely introduction of innovation into the healthcare marketplace; conversely, we have encountered consistent anecdotal evidence that breakthrough products vetted by healthcare GPOs are being brought to market and made nationally available more rapidly as the result of inclusion by GPOs. In some cases, small suppliers have been able to enhance their sales efforts by earning contracts with GPOs for their innovative products.

HGPII notes that its members have been successfully hosting innovative expos that contribute to the visibility and availability of new healthcare technologies. These activities have expanded substantially in recent years.

10. Vendor Diversity Programs: GPOs are making strides in their efforts to promote opportunities for small, minority, veteran, and women-owned vendors in the supply chain. Many engage in a broad array of educational initiatives and business strategies that are designed to create opportunities for vendors who are underrepresented in the industry. While some suppliers have contracts with a growing number of diverse suppliers and have engaged in efforts to develop relationships with such suppliers, others have collaborated with leaders in this area to take advantage of programs and networks established by other GPOs. While only a small number of GPOs have a dedicated Supplier Diversity Committee or a group that focuses exclusively on diversity issues, a majority are engaging in efforts that support this initiative.

11. Code of Conduct: GPOs work diligently to adhere to the highest ethical standards and conduct. Each GPO who is a member of HGPII provides a copy of their written code of business ethics and conduct on their public website. Each organization ensures that all of its employees understand their

12. responsibilities by distributing the Code of Conduct and by requiring employees take refresher courses on the material covered in the Code on an annual basis, with the exception of two GPOs that require such courses on a more frequent basis. Additionally, GPOs have a formal mechanism in place for employees to report possible violations of the Code of Conduct. Several GPOs have anonymous hotline for employees to report violations or encourage employees to speak with their supervisor or a senior official at the company.

13. Reporting Potential Ethical Violations: To protect the identify and ensure the confidentiality of employees who report possible violations of the Code of Conduct, some GPOs provide employees with a means of anonymously reporting the violation through a hotline, or a web-based reporting system, or by sending a secure email that gives the employee the option to maintain anonymity to the recipient of the email. Violations are generally investigated by the Compliance Officer and all GPOs had safeguards in place to protect against retaliation. Many of the GPOs reported fostering an ethical culture where all employees are responsible to adhering to the Code of Conduct. To ensure ongoing compliance with the Code, many GPO's conduct periodic training and education sessions with senior managers.

HGPII Initiative and its Mission

Nine of the nation's leading GPOs, serving the majority of America's hospitals, founded the Healthcare Group Purchasing Industry Initiative in 2005 to promote and monitor the best ethical and business practices in purchasing for hospitals and other healthcare providers. The goal of the organization is to assure ongoing adherence to ethical conduct and business practices, and to hold the confidence of the public and the Government in the integrity of the industry.

The Initiative establishes six core principles of ethics (detailed below) and business conduct and then tracks how participating companies implement those principles. Each participating company submits an annual Public Accountability Questionnaire which addresses important areas of business practice and reports on its policies and actions. These company reports will be posted on the Initiative website and will be summarized in an Annual Public Accountability Report. The disclosure of policies and practices that GPOs believe assure adherence to the Initiative's six core principles will permit policymakers and the public to assess for themselves the adequacy of these efforts. Following the release of the Annual Public

Accountability Report, all HGPII members participate in a Best Practices Forum to discuss and share information and to engage with policymakers and leaders in the healthcare industry.

Methodology

This report is the direct result of a detailed *Public Accountability Questionnaire* developed and continually expanded and refined over the ten years of HGPII's existence. The process represents a systematic survey of business practices and ethical standards within group purchasing organizations, and is used to assess operational policies and compliance efforts within the healthcare supply chain. Following the completion of a written questionnaire, GPOs were asked dozens of follow-up questions to clarify responses and provide greater detail regarding business practices. Two member companies were randomly selected for site visits by the HGPII coordinators. These visits provided an opportunity to interact with company employees, review documents, and to make personal observations about the commitment to the HGPII initiative.

In order to maximize the accuracy of this survey and its utility for analysts and policy makers, the HGPII team adopted the following process to accomplish this project:

1. Each member organization of the Initiative is sent a detailed questionnaire, consisting of dozens of questions requiring a comprehensive outline of the provider's standards, business practices, employee activities, and enforcement of HGPII principles.

2. After all questionnaires are received, the HGPII Coordinator and the policy team review the responses and match responses with referenced policies.

3. The questionnaire responses are posted on a "members only" section of the Initiative's website for review by each responder and for peer review by other members of the Initiative.

4. Every member of HGPII participates in, at minimum, an exit conference conducted by telephone to review and provide verification of elements of the questionnaires. In addition, to provide a deeper sampling, two member organizations are selected at random

for site visits by the HGPII Coordinator with key personnel and management at their corporate headquarters.

5. Participating organizations may submit additional material to clarify and expand upon their questionnaire responses as the result of inquiries made at exit conferences.

6. All responses to the questionnaires and a profile of each Initiative member are posted, as provided, for public viewing to the Initiative website: www.hgpii.com to maximize transparency and public accountability.

7. Every year the questionnaire is reviewed as part of a mandatory seminar conducted at the HGPII *Best Practices Forum*, in which every HGPII member and signatory discusses key elements of the questionnaire and implications and improvements for the industry at large.

8. Each member of HGPII is given an opportunity to review this report in advance and to file any additional clarification or comments on the issues that are the subject of this survey. HGPII members may not make changes to the report. That is the role of the independent coordinators.

HGPII members are committed to the following six principles, which are included in the charter of the organization:

1) Each member shall have and adhere to a written code of business conduct.

2) Each member shall train everyone within the organization as to their personal responsibilities under the code.

3) Each member commits itself to work toward the twin goals of high quality healthcare and cost effectiveness.

4) Each member commits itself to work toward an open and competitive purchasing process free of conflicts of interest and any undue influences.

5) Each member shall have the responsibility to each other to share their best practices in implementation the principles. Additionally, each member is required to participate in an annual *Best Practices Forum*.

6) Each member, through participation in the Initiative, shall be accountable to the public.

Participating companies are expected to change their policies and practices as necessary in order to answer each of the questions in the Annual Public Accountability Questionnaire in the affirmative and to provide adequate supporting documentation to permit the HGPII Coordinator to determine that each answer to the questionnaire is fairly given. It is expected that participation in the Initiative will be a key criterion for hospitals and other providers when they select membership in a GPO. The Steering Committee – the governing body of the Initiative that is comprised of the nine founding GPO Chief Executive Officers – may suspend the participation of any GPO which fails to fulfill its obligations under the Initiative.

HGPII is comprised of the following group purchasing companies:

- Children's Hospital Association (CHA)
- Greater New York Hospital Association (GNYHA)
- HealthTrust Purchasing Group
- HPS
- Innovatix
- Intalere
- Premier, Inc.
- Texas Purchasing Coalition
- Vizient
- Yankee Alliance

Administrative Fees and the GPO Safe Harbor

As noted above, healthcare group purchasing organizations utilize administrative fees assessed on vendor contracts to finance their operations. The federal "GPO Safe Harbor" regulatory exception to the Anti-Kickback statute permits GPOs to collect administrative fees, provided (i) the actual or maximum administrative fee percentage or amount is specified in a written agreement with the member provider and (ii) the administrative fee amounts received from each vendor are disclosed to the member provider annually in writing and upon request to the Secretary of U.S. Department of Health and Human Services (HHS).

HGPII has annually reviewed the industrywide use of administrative fees in GPO contracts. Our team has tracked clear but evolving patterns in GPO administrative fees. Most contracts industrywide provide for administrative fees at or below 3%, and a majority of GPOs conduct all of their group purchasing with administrative fees at or below 3% – indeed, with average administrative fees substantially below 3% overall. The HGPII survey, utilizing interviews that exceed the scope of individual responses to the annual questionnaire, has confirmed that on the whole the industry has maintained administrative fees of 3% or less and avoid abuses.

HGPII notes, however, that within the sector, innovation in response to competition has resulted in greater diversity between member business models, which is lending greater significance to the limited examples of administrative fees exceeding 3%. While GPOs continue to embrace transparency in the healthcare supply chain, including the disclosure of administrative fees, some organizations are offering contracts with fee structures linked to the member value attributed to the agreement, a significant development as GPOs diversify the range of goods and services available under contract. Many of these developments are grounded in proprietary methods fundamental to their business model.

HGPII has determined that for a limited range of contracts that provide value-added products or services, healthcare GPOs will inevitably choose to compete with flexible but transparent administrative fees. In doing so, HGPII has concluded that current statutory and regulatory requirements are adequate to insure public disclosure and oversight.

Vendor Diversity Survey

Several GPOs have created programs aimed at promoting opportunities for small, minority, veteran, and women-owned vendors in the supply chain. In some instances, GPOs who have not created their own programs collaborate with others in the industry that have excelled in this area. Some examples of GPO initiatives in this area include:

- GNYHA creation of the Buy Local program that supports area diverse suppliers in contracting with local hospitals by mentoring the vendor throughout the procurement process, connecting prospective vendors with hospitals, and assisting with contract

development. Since the program launched in 2013, GPOs have worked with over 70 suppliers to educated them about the procurement process, the types of products and services that are of interest to hospitals, and how to meet the expectations of hospitals that enter into contracts with vendors.

- HealthTrust's Supplier Diversity Program is a proactive program that identifies diverse suppliers who are able to compete for contracts. The program is managed by a dedicated team that interacts closely with HealthTrust's contracting, implementation and clinical teams. It is primarily focused on building relationships with, and seeking opportunities for, minority-owned businesses, women-owned businesses, and veteran and service-disabled veteran-owned small businesses that are certified, respectfully, by the National Minority Supplier Development Council, the Women's Business Enterprise National Council, and/or the U.S. Department of Veteran Affairs.

- Intalere's work as one of the founding members of the Healthcare Supplier Diversity Alliance (HSDA), an informal network of healthcare organizations who work collaboratively to provide opportunities for diverse companies in the healthcare industry. HSDA builds and facilitates programs that raise awareness of supplier diversity in healthcare, provides diversity business enterprises with information and guidance on navigating the healthcare supply chain that will enhance the development of their organizations and builds relations to help facilitate professional opportunities.

- Premier's Sourcing Education and Enrichment for Diverse and Small Suppliers (SEEDS) which provides the resources and tools to help minority-owned, women-owned, service-disabled veteran-owned, and small business vendors gain contract sales with GPO members and build long-term business relationships. SEEDS includes coaching, mentoring, business educational tools and a stair-stepped approach to contracts which allow diverse suppliers to grow at a pace that is in line with their existing business infrastructure.

- In addition to Vizient's broader supplier diversity program that works directly with small, women-owned, minority-owned, and veteran-owned businesses, Vizient's Tier II program, launched in 2014, provides an opportunity for large contracted suppliers to

report their spending with diverse suppliers and subcontractors. Tier II is an important initiative for Vizient's members and allows the GPO to get a clearer understanding of the true economic impact of the supplier diversity program. The Tier II program also encourages large suppliers to partner with diverse suppliers upfront and pursue contracting opportunities as a team.

HGPII Activities for the Reporting Year

Annual Best Practices Forum

The Healthcare Group Purchasing Industry Initiative held its Eleventh Annual Best Practices Forum on October 13, 2016, in Washington, DC. The annual forum provided an opportunity for HGPII members to meet at a day-long conference to discuss emerging issues facing the GPOs, highlight the contributions the industry has made to the to healthcare sector, reaffirm their commitment to adhering to high ethical standards and share the best practices they are instituting in their respective companies.

This year's forum included a number of panels that reviewed the issues facing the industry and an outlook on federal healthcare policy. Dr. Kate Goodrich, the Director of the Center for Clinical Standards and Quality at CMS, provided the keynote address. Dr. Goodrich discussed the Administration's goal of delivery system reform with its focus on value-based payment models and encouraging providers to use information to make better decisions about their patients.

Supplier Panel

Peter Aftosmes (GE Healthcare), Jeffrey Hastings (Hill-Rom), Alan Quinn (Siemens Healthineers), and Wendell Raddatz (Hologic, Inc.) discussed some of the emerging issues they experience in their work with the GPO industry. The panelists raised a number of topics, particularly as it relates to contract periods and contract models that are required by GPOs and the constraints that it puts on suppliers.

The panel was moderated by Phil English, the HGPII Coordinator.

Hill Panel

Two senior Congressional staffers – Melanie Egorin and Heidi Stirrup – from the U.S. House of Representatives discussed the outlook for federal healthcare legislation in the upcoming year. They discussed the uncertainty of the prospects on healthcare policy given the uncertainty of the 2016 Congressional and Presidential elections They also shared their thoughts on federal efforts to move hospitals and other healthcare providers to a pay-for-performance reimbursement structure and quality initiatives that are focused on the Administration's goal of improving healthcare outcomes for patients. The panel also included Sonja Nesbit, the former Deputy Assistant Secretary of Legislation at the U.S. Department of Health and Human Services and current member of the HGPII team at Arent Fox. Sonja shared her thoughts on the direction that the Obama Administration might take in finalizing pending HHS rules and regulations before the end of their tenure.

The panel was moderated by Lanhee Chen, an attorney at Arent Fox, Research Fellow at the Hoover Institution, and the Director of Domestic Policy Studies and Lecturer at Stanford Law School.

HGPII Advisory Council Presentation and Discussion

Four members of the HGPII Advisory Council led an interactive panel discussion on conflicts of interest in the procurement process. After the panelist offered opening remarks, the audience members were divided into multiple teams and given different scenarios of a possible conflict of interest that was present in the procurement process. The groups were asked to identify the possible conflicts and discuss ways to address the issue while also putting safeguards in place to reduce the likelihood of additional problems in the future.

Sonja Nesbit, a member of the HGPII team at Arent Fox, moderated the panel.

Steering Committee Panel

Industry operatives representing some of the most innovative member organizations – the leaders of key healthcare group purchasing organizations – offered a lengthy overview of trends and challenges within the healthcare system that effect GPOs and how individual organizations

are responding to changed conditions. The panel of leading executives (members of the HGPII Steering Committee) used their platform in the annual seminar to set new priorities and rededicate the participants to best practices.

The presentations explored vital current issues such as the diversification of GPO activities, the impact of tightening reimbursements by government healthcare programs, new developments in healthcare transparency and compliance, and consumer-driven innovation within the GPO sector. The leaders projected major changes in the healthcare sector which would challenge the existing business models of GPOs, contributing to ongoing consolidation in the industry sector. Participating were:

- Edward Jones, President and CEO at HealthTrust
- Jennifer Gedney, Vice President, Supply Chain Services at Children's Hospital Association
- Jody Hatcher, President, Sourcing and Collaboration Services at Vizient
- Lee Perlman, President, GNYHA Ventures, Executive Vice President & CFO, GNYHA
- Julius Heil, President and CEO at Intalere
- Durral Gilbert, President of Supply Chain Services at Premier
- Alan Sauber, Senior Healthcare Executive and Chief Ethics and Compliance Officer at Premier

Supplier Diversity Panel

Deborah Williams (Premier), Frank Cirillo (GNYHA), Mark Cartwright (Vizient), and Stacey Winston (Intalere) discussed additional initiatives that are needed in promoting opportunities to increase diversification in the supply chain as it relates to supporting small, minority, veteran, and women-owned vendors. The discussion focused on the premise that the effort to promote diversification needs to be redefined to better align the issue in a way that creates opportunities for vendors while not creating financial disincentives for GPOs. The panelists also discussed the progress that HGPII members have made in this area.

The panel was moderated by Lee Perlman, President of GNYHA Ventures and Executive Vice President, Administration, and CFO of GNYHA.

Sustainability Panel

Ann Peddle Meitz (3M Health Care Business Group), Keith Sutter (Johnson & Johnson), JoAnna Abrams (MindClick, Inc.), and Sarah L. Hill (BD) discussed how suppliers are moving towards environmentally friendly products. The panel also reviewed how suppliers can increase awareness of existing green products and what they can do to make GPOs and hospitals more aware of their sustainable offerings.

The panel was moderated by Phil English, the HGPII Coordinator.

HGPII White Paper on Supplier Diversification in the Supply Chain

HGPII released a report on the progress that has been made in initiatives that are designed to increase greater opportunities for the procurement of good and services from diverse vendors. The report titled, *Supplier Diversity Business Practices in the Healthcare Industry: A progress report on working with Minority-owned, Woman-owned, Veteran-owned and Small Business to enhance the health of communities,* provides a comprehensive review of supplier diversity programs that create opportunities within the GPO industry for healthcare supply companies that are owned by women, people of color, veterans, and members of the LGBT community.

The report reflects the commitment of HGPII members to create greater opportunities for diverse, small business, and women-owned businesses and to serve as the industry leader in developing an infrastructure that ensures their customers have a variety of options in meeting their needs in the procurement of goods and services.

Sustainability and Healthcare Spending

A number of HGPII members are developing and expanding new policies that emphasize the goal of environmental stewardship in the selection of goods and services within the healthcare supply chain. This reflects the rising demand by health providers to use their spending to promote better community health and environmental outcomes. Group purchasing organizations are utilizing their expertise to offer providers measurable opportunities to link their procurement activities to their environmental priorities.

HGPII members are pursuing sustainability through strategies that support both affordability and a healthy environment. GPO contracts are increasingly promoting healthier products, renewable energy, recycling of non-hazardous waste, water conservation, and products manufactured using higher environmental standards. GPOs are shaping for themselves a significant role in steering healthcare spending to contracts that promote sustainable production of food, energy and services. They are developing a partnership to permit communities to pursue a healthy environment as they invest in healthcare.

In response to this demand, HGPII has explored new ways to support the supply chain industry in its growing emphasis on sustainability as a procurement objective. The annual Best Practices Forum now features training in the development of sustainability programs, and the Initiative is encouraging members to collaborate in environmental innovation. We anticipate an enhanced role in developing and monitoring best practices in promoting and measuring sustainability in the supply chain.

HGPII Administrative Developments

A. Reorganize Advisory Council

The Initiative at its inception created an Advisory Council consisting of three experienced ethicists tasked with reviewing and presenting to the HGPII membership current and relevant ethical issues on the forefront of healthcare contracting and purchasing decision-making. Over the past two years, the membership of the Advisory Council has been updated with a new roster of professionals, and its mission within the Initiative has been enhanced and refocused. The Advisory Council continues to play an indispensable part in the program of the Annual Seminar.

Current members include:

1. John Hasnas, Executive Director of the Georgetown Institute for the Study of Markets and Ethics, professor of business at Georgetown's McDonough School of Business and a professor of law (by courtesy) at Georgetown University Law Center in Washington, DC.

2. Jacqueline E. Brevard, JD/LLM, senior advisor at GEC Risk Advisory, former Vice President, Chief Ethics and Compliance Officer of Merck & Co., Inc.

3. William (Bill) J. O'Rourke, Retired Alcoa Vice President, Fellow, Wheatley Institute, Brigham Young University.

B. New Website

The Initiative, committed to the task of transparency in our process, has been hampered by an antiquated website which was created at its inception. In 2016, the Initiative undertook the task of creating a new, dynamic website that is designed to better serve the needs of HGPII members, the GPO industry and the general public. Our goal for the website has been to provide a platform for information to be distributed while also underscoring HGPII's principal role in promoting best practices in the healthcare supply chain industry, by enforcing ethical standards and by creating transparency behind a set group of core principles. As HGPII is a membership organization that does not lobby policymakers, we strived to create a website which served the primary goal of conveying information to policymakers, Congressional staff, as well as, those interested in health care policy.

C. Acknowledgement

The Initiative deeply regrets the passing Senator Robert Bennett (R-UT), an active and indispensable part of the HGPII team and a prolific contributor to HGPII's review process. Senator Bennett became National Co-coordinator with the engagement of the Arent Fox team, and was a source of innovation and direction as HGPII pursued its mission. Senator Bennett was a thoughtful and thorough participant in the HGPII oversight process, contributing essential counsel to the Initiative as it evaluated the business practices of individual members.

Conclusion

HGPII's review of the ethical and business practices of the nine largest GPOs have found that our members have been very successful in adhering to their goal of maintaining the highest ethical and business conduct practices in the healthcare industry. Our members are operating in a transparent and accountable manner that should give the public a great deal of confidence in

their business models and practices. Additionally, our GPO members are serving as innovators in a number of key areas, including the movement towards the use of safer chemicals in products and through their efforts to safely reduce their energy utilization. By promoting a culture of sustainability in the GPO industry, our members are adopting business practices that address concerns related to global climate change. Finally, our members continue to promote diversification in the healthcare supply chain as they help to create greater business opportunities for minority-owned, women-owned and veteran-owned businesses that sale healthcare supplies and services to larger GPO organizations. By expanding their business models to provide greater opportunities to a broader network of suppliers, GPOs are able to ensure that they are operating in a cost-effective manner while serving as good role models in healthcare.

As policymakers continue to debate the future of federal spending on healthcare, GPOs will play an important role in helping to reduce and stabilize the cost of healthcare products and services for providers and patients. GPOs should be viewed as a model for transparency, efficiency, and innovation in the health industry. Our members look forward to continuing to serve as leaders in the healthcare industry.

APPENDIX A
CHARTER OF THE HEALTHCARE GROUP PURCHASING INDUSTRY INITIATIVE (HGPII)

The Healthcare Group Purchasing Industry Initiative (HGPII) was established in 2005 by the nation's nine major healthcare group purchasing organizations (GPOs). These GPOs pledged to adopt and implement a set of principles for business ethics and conduct that acknowledges and expresses their responsibilities to the public as well as to government entities which fund healthcare services in the United States.

Healthcare GPOs are an essential link in the supply chain of healthcare providers such as hospitals, clinics, and other delivery organizations. GPOs aggregate the purchasing activity of their members, thereby lowering costs in both the purchasing activity itself and in the prices at which products and services are purchased. GPOs also enable members to coordinate the collection of data, facilitate an improvement of systems essential to the quality of care as well as an overall reduction of costs.

By joining HGPII, member organizations pledge to follow both a set of Core Principles established by the Initiative and to participate in an ongoing dialogue with other GPOs and various organizations, such as the Department of Health and Human Services, regarding the most effective policies and procedures for implementing these Principles.

<u>The HGPII Principles are:</u>

1) Each Signatory shall have and adhere to a written code of business conduct. The code establishes high ethical values and sound business practices for the Signator's group purchasing organization.

2) Each Signatory shall train all within the organization as to their personal responsibilities under the code.

3) Each Signatory commits itself to work toward the twin goals of high quality healthcare and cost effectiveness.

4) Each Signatory commits itself to work toward an open and competitive purchasing process free of conflicts of interest and any undue influences.

5) Each Signatory shall have the responsibility to each other to share their best practices in implementing the Principles; each Signatory shall participate in an annual Best Practices Forum.

6) Each Signatory, through its participation in this Initiative, shall be accountable to the public.

As they pursue these Principles, Signatories take a leading role in making the Principles a standard for the entire healthcare group purchasing industry, and a model for other healthcare industries.

Annual Public Accountability Questionnaire

On an annual basis, each Signatory organization files a report with the HGPII Coordinator that responds to the Annual Public Accountability Questionnaire (PAQ). These reports are available to the public, and are used by the HGPII Coordinator to compile a summary report on the adherence of Signatories to the Principles, as well as evolving Best Practices in fulfillment of the Principles. The PAQ captures information about each Member GPO's business practices, codes of conduct, conflict of interest policies, fee structure, bid process, and many other in-depth issue areas.

Organization

HGPII consists of a Steering Committee, a Working Group, and an Initiative Coordinator that govern the Initiative.

The Steering Committee, which consist of the CEOs of all Signatory organizations, sets policies for HGPII, which are based on recommendations from the Working Group. (As the Initiative grows in size, the membership of the Steering Committee and Working Group may be limited to a representative group.)

The Working Group, which consist of one designee from each Signatory organization, is responsible for working with the HGPII Coordinator on ongoing initiatives, as well as other areas related to the management of the HGPII. .

The HGPII Coordinator is the day-to-day operating officer of the organization and is responsible for planning and conducting meetings, including the annual Best Practices Forum, reviewing responses to the Annual Public Accountability Questionnaire, and preparing an annual report on the adherence of Signatories to the Principles and trends in Best Practices.

The Coordinator reviews the annual questionnaires for responsiveness, completeness, and accuracy, following up with participating organizations to recommend remedial action. The Coordinator also makes recommendations to the Working Group and the Steering Committee regarding the continued participation of organizations that do not take adequate remedial action.

Membership

Membership in HGPII is open to any healthcare GPO, including those entities in which group purchasing is only one of many activities of the organization. Upon joining HGPII, members must pledge to follow the Principles, to file the Public Accountability Questionnaire annually, and to participate in the annual Best Practice Forum.

HGPII does not anticipate refusing any good faith membership application or renewals, however, it does reserve the right to refuse or suspend membership privileges for cause.

APPENDIX B

HGPII CODE OF CONDUCT PRINCIPLES

Introduction:

The Healthcare Group Purchasing Industry Initiative ("Initiative") is an independent and voluntary organization created to establish and assure implementation of the highest ethical standards and business conduct practices in the healthcare group purchasing industry. Each Signatory of the Initiative pledges to follow a set of six core ethical and business principles, to report annually on adherence to these principles using an Annual Public Accountability Questionnaire, and to participate in an Annual Best Practices Forum to discuss best ethical and business conduct practices with other GPO representatives and interested parties. The six core principles underscore the healthcare group purchasing industry's commitment to use ethical business practices to help healthcare providers provide quality patient care at the most manageable cost.

The Initiative's six core principles are:

1. Each Signatory shall have and adhere to a written code of business conduct. The code establishes high ethical values and sound business practices for the Signatory's group purchasing organization.

2. Each Signatory shall train all within the organization as to their personal responsibilities under the code.

3. Each Signatory commits itself to work toward the twin goals of high quality healthcare and cost effectiveness.

4. Each Signatory commits itself to work toward an open and competitive purchasing process free of conflicts of interest and any undue influences.

5. Each Signatory shall have the responsibility to each other to share their best practices in implementing the Principles; each Signatory shall participate in an annual Best Practices Forum.

6. Each Signatory, through its participation in this Initiative, shall be accountable to the public.

Each Signatory is committed to the full implementation of the six core principles and shall not take any action that would be contrary to its intent and purpose. Each Signatory agrees to fully comply with the mandatory Healthcare Group Purchasing Code of Conduct Principles set forth below.

The Initiative also tracks how participating Signatories implement the Healthcare Group Purchasing Code of Conduct Principles through the Initiative's annual accountability process. Each Signatory submits an Annual Public Accountability Questionnaire to provide further transparency to the public regarding how each Signatory has implemented the Healthcare Group Purchasing Code of Conduct Principles. This disclosure allows government officials and the public to assess the adequacy of each organization's ethical and business practices.

The Healthcare Group Purchasing Industry Initiative Code of Conduct Principles:

1. Each GPO shall have and adhere to a written code of business conduct. The code establishes high ethical values expected for all within the Signatory's organization.
    a. Each GPO's distribution of code of business conduct ("Code") shall include:
        i. Distributing the Code to all new employees during their employee orientation; and
        ii. Making available the Code to all clinical advisory committee members, contractors, directors, agents and vendors.

    b. Each GPO's oversight of its Code shall include:
        i. A compliance officer to be responsible for overseeing compliance with the Code;

ii. A compliance committee or similar committee to advise the compliance officer and assist in the implementation of the Code;

iii. A mechanism whereby employees can report possible violations of the Code without fear of retribution;

iv. A mechanism to evaluate, investigate and resolve suspected violations of the Code;

v. A process to monitor on a continuing basis, adherence to the Code;

vi. A process whereby adherence to the Code is measured in job performance;

vii.A process to inform its Board of Director's committee or other appropriate committee regarding its adherence to its Code and its commitment to The Healthcare Group Purchasing Code of Conduct Principles; and

viii. A process to continually measure and improve upon the value of the GPO's Code by evaluating best practices within the healthcare group purchasing industry.

2. Each GPO shall train all within the organization as to their personal responsibilities under the code.

a. Each GPO's Code training shall include:

i. Providing all new employees training on the Code and any applicable law; and

ii. Providing periodic compliance training, guidance and education on the Code and any applicable law to employees, committee members, directors, officers, and any applicable contracting agents.

3. Each GPO commits itself to work toward the twin goals of high quality healthcare and cost effectiveness.

a. Each GPO's policies supporting high quality healthcare and cost effectiveness shall include:

i. A policy that encourages a competitive marketplace for healthcare procurement;

ii. A policy that encourages members to purchase future medical technology and products determined to be innovative.

iii. A policy that promotes the evaluation of innovative medical technology and products; and

iv. A policy that promotes purchase of safe medical products.

4. Each GPO commits itself to work toward an open and competitive purchasing process free of conflicts of interest and any undue influences.

a. Each GPO's conflict of interest policies related to individuals shall include:

i. A requirement that employees in a position to influence the GPO contracting process not accept any gifts, entertainment, favors, honoraria, or personal service payments other than those of a Nominal Value from any participating vendor1;

ii. A policy prohibiting its employees who are in a position to influence the GPO contracting decisions from having an Individual Equity Interest in any participating vendor2 in the contract areas they influence;

iii. A policy that requires that any employee not covered under Section 4(a)(ii), and any officer, director, or a member of an advisory board of a GPO who accepts any gifts, favors, honoraria or personal services payments other than those of Nominal Value from any participating vendor to disclose such transactions to the appropriate governing body and for that individual to be recused from any negotiations or decisions related to such participating vendor;

iv. A policy that requires that any employee not covered under Section 4(a)(ii), officer, director, or a member of an advisory board of a GPO to disclose Individual Equity Interests in any participating vendor to the appropriate governing body and for that individual to be recused from any negotiations or decisions relating to such participating vendor; and

v. A policy that requires all employees, directors, officers, and members of advisory boards to disclose information regarding any conflict of interest described in its Code on at least an annual basis.

b. Each GPO's conflict of interest policies shall include a policy to ensure that it does not have any Corporate Equity Interest3 in any participating vendor unless the acquisition of such Corporate Equity Interest demonstrably benefits the GPO's members, the GPO

discloses such equity interest to its members in writing, and the GPO imposes no obligation, commitment or other requirements or restrictions that in any way obligates a member to purchase goods or services from such participating vendor.

c. Each GPO's conflict of interest and disclosure policies related to administrative fees shall include:

i. A policy that ensures the receipt of administrative fees from vendors do not encroach upon the best interests of the GPO's members;

ii. A policy that requires it to have a written agreement with each member authorizing it to act as their purchasing agent to negotiate contracts with vendors to furnish goods or services to each member;

iii. A policy to disclose in writing to each member or member's agent that it receives payments from participating vendors with respect to purchases made by or on behalf of such member;

iv. A policy that requires it annually to disclose all administrative fees received from vendors for contracting activities with respect to purchases made by the respective member; and

v. A policy that requires it annually to disclose all payments received from any vendor in the course of the GPO's group purchasing activities, but not allocable or otherwise reported with respect to the actual purchases of that or any other member.

d. Each GPO's policies to ensure an open and competitive purchasing process shall include:

i. A requirement to publicly post on its website or through other appropriate means information about its contracting process and contract opportunities;

ii. A policy to ensure a fair and unbiased system for evaluating healthcare products and services being considered for procurement;

iii. A policy that allows its members to communicate directly with all vendors and evaluate their products, regardless of whether the vendor has a contract with the GPO;

iv. A policy that allows its members to purchase medical products from vendors that do not contract with the GPO;

v. A policy that establishes a vendor grievance procedure;

vi. A policy to ensure the appropriate use of bundling, length of contracts, and sole or dual source contracts; and

vii. A policy that promotes diversity among vendors to small, women and minority-owned vendors.

5. Each GPO shall have the responsibility to each other to share their best practices in implementing the Principles; each Signatory shall participate in an annual Best Practices Forum.

a. Each GPO's Best Practices Forum participation shall include sending an appropriate number of participants including senior executives to actively participate in the annual Best Practices Forum.

6. Each GPO shall be accountable to the public.

a. Each GPO's responsibilities shall include:

i. Ensuring its CEO and Compliance Officer annual certify to the Initiative that it is in compliance with The Healthcare Group Purchasing Code of Conduct Principles;

ii. Submitting its response to the Initiative's Annual Public Accountability Questionnaire on a timely basis; and

iii. Ensuring its CEO and Compliance Officer annually certify to the Initiative that these individuals have reviewed and approved the GPO's Public Accountability response.

---

1. Nominal Value shall mean any item, service or other thing of value (not including cash or cash equivalents) that does not exceed $50 per instance or $100 in any given calendar year.

2. Individual Equity Interest is defined as securities, options, warrants, debt instruments (including loans), or rights to acquire any of the foregoing, provided, however that the term shall not include: (a) interests in publicly held mutual funds or (b) interests held in a blind trust in

which all investment decisions are independently managed by a third party and the existence and trust terms are fully disclosed to the appropriate governing body to ensure that neutrality of the GPO contracting decisions are protected.

3. Corporate Equity Interest shall mean securities, options, warrants, debt instruments (including loans), or rights to acquire the foregoing.

APPENDIX C

LIST OF MEMBER ORGANIZATIONS AND CONTACTS

Intalere (formerly Amerinet, Inc.)
ATTN: Brent Johnson
Two CityPlace Dr,
Suite 400
St. Louis, MO 63141
Phone: (800) 388-2638
www.intalere.com

Children's Hospital Association
ATTN: Jennifer Gedney 6803 W. 64th Street, Suite 208 Shawnee Mission, KS 66202 Phone: (913) 262-1436
www.childrenshospitals.org

GNYHA Ventures, Inc.
ATTN: Lee Perlman
555 West 57th St,
Suite 1500
New York, NY 10019
Phone: (212) 246-7100
www.gnyhaventures.com

Healthtrust Purchasing Group
ATTN: Edward Jones
1100 Charlotte Ave
Suite 1100
Nashville, Tennessee 37203
Phone: (615) 344-3000
http://healthtrustpg.com

HPS
ATTN: Tom LaPres
3275 N. M-37 Hwy
P.O. Box 247
Middleville, MI 49333
Phone: (800) 632-4572
www.hpsnet.com

Innovatix, LLC
ATTN: John Sganga
75 Ninth Avenue
2nd Floor
New York, NY 10011
Phone: (888) 258-3273
www.innovatix.com

Premier, Inc
ATTN: Mike Alkire
13034 Ballantyne Corporate Place
Charlotte, NC 28277
Phone: (877) 777.1552
www.premierinc.com

Texas Purchasing Coalition
ATTN: Geoffrey Brenner
7160 Dallas Parkway
Suite 600
Plano, TX 75024
Phone: (469) 366.2100
www.tpcselect.com

Vizient, Inc. (including MedAssets)
ATTN: Jody Hatcher
290 East John Carpenter Fwy
Irving, TX 75062
Phone: (972) 581.5000
www.vizientinc.com

Yankee Alliance
ATTN: James Oliver
138 River Road
Andover, MA 01810-1083
Phone: (978) 470-2000
www.yankeealliance.com

APPENDIX D

HGPII STEERING COMMITTEE MEMBERS

JODY HATCHER, STEERING COMMITTEE CHAIR
President, Offering Delivery and Operations
Vizient, Inc.
125 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 581-5927
Fax: (972) 581-5969
Email: jhatcher@novationco.com

Edward Jones
CEO
HealthTrust Purchasing Group
1100 Charlotte Ave
Suite 1100
Nashville, Tennessee 37203
Tel: (615) 344-3000
Fax: (615) 565-6227
Email: Edward.Jones@Healthtrustpg.com

Mike Alkire
Chief Operating Officer
Premier, Inc.
13034 Ballantyne Corporate Place
Charlotte NC 28277
Tel: (704) 816-5251
Email: Mike_alkire@premierinc.com

Jennifer Gedney
Vice President, Supply Chain Improvement
Children's Hospital Association
6803 W. 64th Street, Suite 208
Shawnee Mission, KS 66202
Tel: (913) 262-1436
Cell: (913) 226-9369
Email:
Jennifer.Gedney@childrenshospitals.org

Julius Heil
President & Chief Executive Officer
Intalere
Two CityPlace Dr, Suite 400
St. Louis, MO 63141
Tel: (314) 542-1915
Email: Brent.johnson@intalere.com

Lee Perlman
President
GNYHA Ventures, Inc.
555 West 57th Street
New York, NY 10019
Tel: (212) 506-5433
Fax: (212) 977-6559
Email: perlman@gnyha.org

APPENDIX E

HGPII WORKING GROUP MEMBERS

Lori R. Levinson
Senior Vice President & Deputy General Counsel
GNYHA Ventures, Inc.
555 West 57th Street
New York, NY 10019
Tel: (212) 506-5419
Fax: (212) 489-1409
Email: levinson@gnyha.org

Angie Boliver
Vice President, Strategic Communication & Public Relations
Vizient, Inc
125 E. John Carpenter Freeway
P.O. Box 140909
Irving, TX 75062
Tel: (972) 830-7961
Email: aboliver@vha.com

Mike Costabile
Chief Financial Officer
Amerinet
Two CityPlace Dr, Suite 400
St. Louis, MO 63141
Tel: (877) 711-5700. ext. 3901
Fax: (314) 682-1813
Email: mike.costabile@amerinet-gpo.com

Rob Arreola
Chief Legal Officer & General Counsel
HealthTrust Purchasing Group
155 Franklin Road, Suite 400
Brentwood, TN 37027
Tel: (615) 344-3076
Fax: (615) 565-6227
Email: Rob.Arreola@healthtrustpg.com

Alan Sauber
Chief Ethics and Compliance Officer
Premier, Inc.
2320 Cascade Pointe Blvd.
Charlotte, NC 28208
Tel: (704) 816-5253
Email: Alan_Sauber@PremierInc.com

Lynn Egan
AVP, Ethics and Compliance Officer
HealthTrust Purchasing Group
155 Franklin Road, Suite 400
Brentwood, TN 37027-4693
Tel: (615) 344-3947
Email: Lynn.Egan@healthtrustpg.com

Shoshana Krilow
Vice President, Public Policy & Government Relations
Vizient, Inc.
799 9th St NW Ste 210
Washington, DC 20001
Tel : (202) 354-2607
Email : shoshana.krilow@vizientinc.com

APPENDIX F

2015 PUBLIC ACCOUNTABILITY QUESTIONNAIRE

This Questionnaire Covers Calendar Year 2015.
Please return your response to hope.morris@arentfox.com no later than June 1, 2016

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;
   - The types of equity holders of your GPO (e.g., publicly-held company, healthcare providers, individuals, for-profit and/or not-for-profit entities);
   - The corporate form of your GPO and/or its parent or affiliated companies – such as corporation, partnership, limited liability company, co-op;
   - Whether the GPO is organized as a for-profit or not-for-profit organization; and
   - Location of corporate headquarters.

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;
   - Percentage of Board representing GPO customers;
   - Percentage of Board that are employees of the GPO; and
   - Percentage of Board members also serving as employees, officers, or directors of a participating vendor.

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).

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;
- Clinical Advisory Members; and
- Members of the GPO's Board of Directors or other governing body.

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

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.)

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]

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.

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?

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?

10. Does the GPO and/or its parent of 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?

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.).

[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)).

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.

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.

14. Describe the GPO's policy with respect to returning administrative fees to an ineligible 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?

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.

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.

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.

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?

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.

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.

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?

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.

PRIVATE LABEL PROGRAMS

24. Describe whether the GPO has a private label program and if so, describe the products the private label program covers.

25. Describe the GPO's practice regarding administrative fees derived from a private label program.

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.

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.

28. Does the GPO participate in HGPII's Independent Evaluation Process?

29. Is the HGPII Independent Evaluation Process displayed on the GPO's public website? If so, please provide an electronic link to this information.

INNOVATION

30. Describe the GPO's policy and process to evaluate and provide opportunities to contract for innovative products and services.

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.

32. Are GPO members allowed to evaluate products and/or communicate with vendors, regardless of whether a vendor has a contract with the GPO?

33. Are GPO members allowed to purchase non-contracted products or services directly from non-participating vendors?

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.

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).

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?

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?

38. Describe any other actions concerning Supplier Diversity you think are important that are not covered by the preceding questions.

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.

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.

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.

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?

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.

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.

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.

46. How many of your GPO employees attended the Best Practices Forum in 2014? Include the name of the most senior executive who attended.

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.

APPENDIX G

HGPII Healthcare Group Purchasing Industry Initiative

2016 BEST PRACTICES FORUM

October, 13 2016

Arent Fox LLP, 1717 K Street NW, Washington, DC 20006

Contacts
Phil English: (814) 897-5221 // Hope Morris: (814) 331-1027

8:00 AM-9:00 AM — **Registration & Breakfast**
Multipurpose Room

Please check in at reception upon arrival. Registration will take place on the third floor.

9:00 AM-9:15 AM — **Welcome Remarks**
Multipurpose Room

Phil English, *HGPII Coordinator*
Jody Hatcher, *Chairman, HGPII Steering Committee*

9:15 AM-10:00 AM — **Supplier Panel**
Multipurpose Room

Moderator: Phil English, *HGPII Coordinator*

Panelists:
Peter E. Aftosmes, *General Manager, National Accounts, GE Healthcare*
Jeffrey Hastings, *Vice President, National Accounts & Government Contracts,Hill-Rom*
Alan Quinn, *Vice President, Strategic Corporate Accounts, Laboratory Diagnostics and Point of Care Siemens Healthineers*
Wendell Raddatz, *Vice President of National Accounts, Hologic, Inc.*

10:00 AM-10:45 AM — **Hill Panel**
Multipurpose Room

Moderator: Lanhee Chen

Panelists:
Melanie Egorin, *Professional Staff Member, Subcommittee on Health, Committee on Ways & Means*
Heidi Stirrup, *Policy Coordinator, Subcommittee on Health, Committee on Energy and Commerce*
Sonja Nesbit, *Sr. Government Relations Director, Arent Fox*

10:45 AM-11:00 AM — **Break & Networking**
Snacks provided in the Multipurpose Room

11:00 AM-12:00 PM **Steering Committee Meeting**
Farragut Room

Steering Committee members will break for their annual meeting.

11:00 AM-12:00 PM **HGPII Advisory Council Presentation & Discussion**
Multipurpose Room

Moderator: Sonja Nesbit

Advisory Council Members:
Mr. William O'Rourke, *Executive Director, The Beard Institute, Duquesne*
Ms. Jacqueline Brevard, *Senior Advisor, GEC Risk Advisory LLC*
Dr. John Hasnas, *Professor of Business and Professor of Law and Executive Director, Georgetown Institute for the Study of Markets and Ethics*

12:00 PM - 1:00 PM **Lunch Break & Networking**
Multipurpose Room

1:00 PM-2:00 PM **Steering Committee Panel**
Multipurpose Room

Moderator: Byron Dorgan, *HGPII Co-Coordinator*

GPO executives will discuss current matters of interest to HGPII and respond to questions from attendees.

2:00 PM-2:45 PM **Keynote**
Multipurpose Room

Introduction: Phil English, *HGPII Coordinator*

Speaker: Dr. Kate Goodrich, *Director of the Center for Clinical Standards and Quality (CCSQ)*

2:45 PM-3:30 PM **"Next Steps in Supplier Diversity: Redefining the Lens"**
Multipurpose Room

Moderator: Lee Perlman, *President, GNYHA Ventures*
Executive Vice President, Administration & CFO, Greater New York Hospital Association

Panelists:
Mark Cartwright, *Sr. Director of Supplier Diversity, Vizient*
Deborah Williams, *Sr. Director, Sourcing & Supplier Diversity, Premier*
Frank Cirillo, *Vice President of Business Strategy, GNYHA*
Stacey Winston, *Sr. Director, Contracting Solutions, Intalere*

3:30 PM-3:45 PM — **Break & Networking**
Snacks provided in the Multipurpose Room

3:45 PM-4:30 PM — **"A Culture of Sustainability in Healthcare"**
Multipurpose Room

Moderator: Phil English, *HGPII Coordinator*
Introductions: Jocelyn Bradshaw, *Senior Vice President of Sourcing, HealthTrust*

Speaker/Panelists:
Ann Peddle Meitz, *Sustainability Director, 3M Health Care Business Group*
Keith Sutter, *Director for Sustainability, Johnson & Johnson*
JoAnna Abrams, *Founder & CEO, MindClick, Inc.*
Sarah L. Hill, *Senior Manager, Global Sustainability, BD*

4:30PM — **Closing Remarks**
Multipurpose Room — Phil English, *HGPII Coordinator*

APPENDIX H

LIST OF 2016 BEST PRACTICE FORUM ATTENDEES

First	Last	Compay
Amy	Andrade	Yankee Alliance
Robert	Arreola	HealthTrust
David	Berry	Vizient Inc.
Michael	Berryhill,	HealthTrust
Jocelyn	Bradshaw	HealthTrust
Geoff	Brenner	TPC
Mark	Cartwright	Vizient
Sue	Casey,	Premier
Daniel	Chakrin	GNYHA Ventures, Inc.
Blair	Childs	Premier
Amanda	Cook	Children's Hospital Association
Michael	Costabile	Intalere
Donna	Craft	Premier
Kevin	Crampton	HPS
Cathy	Denning	Vizient Inc.
Todd	Ebert	HSCA
Lynn	Egan	HealthTrust
David	Finley	Premier, Inc.
Chris	Flock,	Healthcare Supply Chain Association
Jennifer	Gedney	Children's Hospital Association
Durral	Gilbert	Premier Inc.
Jody	Hatcher	Vizient
Sharon	Hughes	TPC
Rick	Jones	HPS
Robert	Karcher	GNYHA Services
Daniel	Kistner	Vizient
Shoshana	Krilow	Vizient, Inc.
Tom	LaPres	HPS
William	Larkin	GNYHAS
Lori	Levinson	Greater New York Hospital Association
Mike	Maguire	Premier
Dave	Mancione	Innovatix
Chris	McDown	Vizient
Greg	Montano	Innovatix
Beau	Moon	TPC
Christopher	O'Connor	GNYHA Services/Nexera Inc.
Carolyn	Osolinik	Correia and Osolinik - Vizient

Gary	Pack	HealthTrust
Lee	Perlman	GNYHA Ventures
Mark	Phalen	TPC
Michelle	Pleiness	HPS
Margaret	Reagan	Premier
Alan	Sauber	Premier, Inc.
John	Sganga	Innovatix
Praful	Shah	GNYHA Services
Cathy	Spinney	Yankee Alliance
Amy	Thienel	Premier, Inc
Brooke	Vizzi	Premier
Lisa	Walsh	Innovatix
Michael	Wascovich	Premier, Inc.
Phil	Wellington	Premier
Glenn	Wexler	GNYHA Ventures
Deborah	Williams	Premier, Inc.
Aisling	Zaccarelli	GNYHA Ventures, Inc.

APPENDIX I

HGPII INDEPENDENT EVALUATION

PURPOSE

HGPII, as well as the individual member GPOs, actively promote the use of competitive contracting processes to maximize value and quality to GPO members insuring all vendors are treated in a fair and unbiased manner. (The contracting processes utilized by each individual GPO to competitively solicit proposals from and award contracts to vendors or to evaluate new technology submissions from and award new technology contracts to vendors is referred to as the "GPO Contract Process".) In an effort to provide vendors with a forum to voice complaints regarding award decisions, each GPO, as a condition of its membership in HGPII, has agreed to participate in a two-step review process. The first step is a formal, published process established by each GPO to review vendor concerns (the "GPO Grievance Process").

Although individual GPO Grievance Processes vary, each is designed to provide vendors with an understanding of the bid process, foster respect for member decision making, and provide an opportunity for vendors to raise discrepancies that might have occurred during the process. In the vast majority of instances, this process will be sufficient to address a vendor's concerns. Where a vendor continues to have concerns they may request an independent and unbiased third party evaluation through the HGPII Independent Evaluation (HGPII Evaluation).

It is important to note the HGPII Evaluation is not intended to resolve contractual disputes or review clinical evaluations or other decisions that are the purview of a GPO Member Council. Because GPO Members are both the final decision makers and the ultimate purchasers of product, actions taken pursuant to a HPGII Evaluation outcome may be subject to review and final approval by a Member Council. (Vendors should review each GPO Vendor Grievance Process and/or code of conduct for information regarding Member Council review.)

INDEPENDENCY OF HGPII EVALUATION

In order to facilitate the HGPII Evaluation and insure independency, HGPII utilizes the services of the American Arbitration Association® (AAA), an organization that provides alternative dispute resolution services. A Neutral is chosen by AAA from a list of neutral experts maintained by AAA. The Neutral evaluates the issues in dispute and provides an unbiased opinion. By following the process outlined herein and utilizing neutral experts vetted and selected by AAA, the vendor is assured a fully independent review.1

SCOPE OF HGPII EVALUATION

The role of the Neutral is to review vendor complaints and provide an evaluation as to whether the Vendor failed to receive an award as a result of a failure of the GPO to follow principles of the applicable GPO Contract Process. The Neutral may make recommendations regarding a GPO Contract Process, applying a reasonable business standard. The Neutral will not review business decisions or decisions that are the purview of a Member Council, such as clinical evaluations or scoring. Further, the Neutral shall have no authority to provide an evaluation regarding the legality of a GPO Contract Process or GPO Grievance Process.

The HGPII Evaluation is available for vendor complaints associated with awards for GPO national contracts. Bids or new technology submissions conducted and/or reviewed by a GPO at the request of and exclusively for an individual hospital or a distinct group of identifiable hospitals are conducted pursuant to criteria and processes that are established and overseen by such hospital or group. Accordingly, such processes and awards are not subject to review through the HGPII Evaluation.

All HGPII member GPOs have agreed to participate in the HGPII Evaluation. HGPII will facilitate requests for HGPII Evaluation brought against a non-HGPII member provided such GPO has also agreed to participate.

TYPES OF VENDOR COMPLAINTS ELIGIBLE FOR REVIEW

Pre-award – Occurs when a Vendor has been informed prior to a contract award announcement that it will not receive an award relative to a competitively-bid RFP (e.g., the vendor failed to meet minimum bid requirements).

Post-award – Occurs when a Vendor is informed concurrently with or after the award announcement that it will not receive an award.

New Technology – Occurs when a Vendor is denied a contract award following submission of a request for a contract award for New Technology.

PROCESS FOR HGPII EVALUATION

1. Prior to initiating a HGPII Evaluation, the Vendor must first submit its complaint to and complete the GPO's formal, published grievance process ("GPO Grievance Process").

2. Within five business days following receipt of the decision rendered by the GPO as a result of the GPO Grievance Process, the Vendor shall send to AAA (with a copy each to the HGPII Coordinator and to the applicable GPO's ethics and compliance officer) the following information:

- ◦The Vendor's executed agreement relative to HGPII Evaluation in the form attached;
- ◦The names, addresses and telephone numbers of the parties and their representatives;
- ◦A copy of the decision rendered by the GPO at the conclusion of its formal grievance process;
- ◦An executed Confidentiality Agreement
- ◦The case setup fees as set out below.

3. The HGPII Evaluation will be conducted pursuant to the rules of the HGPII Evaluation process and the AAA's Early Neutral Evaluation Procedures.

4. AAA will facilitate communication among the parties, insure that AAA is in possession of all necessary documentation, and provide other assistance as necessary to facilitate the prompt

conclusion of the HGPII Evaluation.

5. AAA will select a single Neutral, and will provide biographical information on the proposed Neutral to the parties.

No person shall serve as a Neutral in any dispute in which that person has any financial or personal interest in the result of the HGPII Evaluation, except by the written consent of all parties. Prior to accepting an appointment, the prospective Neutral shall disclose any circumstance likely to create a presumption of bias or prevent a prompt meeting with the parties. Upon receipt of such information, AAA shall either replace the Neutral or immediately communicate the information to the parties for their comments. In the event that a party objects to the Neutral or the appointed Neutral is unable to serve promptly, AAA will appoint another Neutral.

The Neutral will work with the parties in setting forth an appropriate schedule for exchanging initial written statements and submitting those to the Neutral. The initial statement shall describe the substance of the complaint, the parties' view of the issues, key evidence and any other information that may be useful to the Neutral. The GPO shall also provide to the Neutral any assertions of Disqualifying Factors, as set out below. The Neutral and the parties will decide on the length and extent of the initial written statements. Each party shall provide copies of its initial written statement and Disqualifying Factors, if any, to the other party. The parties may mutually agree to have the Neutral make a determination based on their written submission.

6. Prior to the start of an Evaluation Session the Neutral shall review the assertions of Disqualifying Factors and may, based on the written submissions, make a determination that a Disqualifying Factor exists, in which event no further review by the Neutral will take place. The Vendor may, at its discretion, submit to the Neutral its written response in opposition to the GPO's assertion of Disqualifying Factors, which shall be taken into consideration by the Neutral in making a determination. The Neutral may, at his/her discretion, refrain from making an initial determination of Disqualifying Factors, but continue to take the GPO's assertion of Disqualifying Factors into consideration throughout the process. If at any time during the

process the Neutral determines that a Disqualifying Factor exists, the Neutral shall advise the parties of such determination, at which point the HGPII Evaluation shall be deemed concluded. Notwithstanding a determination of a Disqualifying Factor, the Neutral may, in his/her sole discretion, make recommendations, utilizing a reasonable business standard, regarding the GPO Contract Process or GPO Grievance Process.

7. An in person Evaluation Session with the Neutral is preferred; however, the parties may meet with the Neutral by teleconference or videoconference upon the mutual agreement of the parties. The Neutral shall facilitate communication amongst the parties to identify a convenient location for the in person Evaluation Session or teleconference or videoconference. Such Evaluation Session shall be scheduled at an agreed upon time and place, each party to bear its own travel and other costs. At such meeting, teleconference, or videoconference, each party will verbally and through documents or other media present its claims or defenses and describe the principal evidence on which they are based. The Evaluation Session is informal and the rules of evidence do not apply. Each party shall have in attendance throughout the Evaluation Session a representative with settlement authority. There is no formal examination or cross-examination of witnesses and the presentations and discussions will not be recorded.

8. Unless the parties and Neutral agree to another timeline, a written evaluation will be rendered within five business days after the conclusion of the proceedings and no later than 60 calendar days following AAA's receipt of the request for a HGPII Evaluation. The Neutral may also present his/her HGPII Evaluation verbally upon the consent of both the request of any party. After the receipt of the HGPII Evaluation, the parties can make further inquiry about issues and points made in the evaluation.

TIMELINES

The timelines established within the HGPII Evaluation process are designed to insure a prompt and expedient resolution of the complaint.

CONFIDENTIALITYOF HGPII EVALUATION

Neither the Neutral, the Coordinator, nor any party hereto shall divulge confidential information disclosed to them by the parties or by witnesses in the course of the HGPII Evaluation. All records, reports or other documents received by the Neutral while serving in that capacity shall be confidential.

Neither the Neutral nor the Coordinator shall be compelled to divulge such records or to testify in regard to the HGPII Evaluation in any adversary proceeding or judicial forum. Notwithstanding the above, the Neutral and the Coordinator may make available information related to a HGPII Evaluation, including a copy of the Neutral's evaluation, pursuant to the request or inquiry of a duly authorized governmental body, provided that prior notice is provided to each party whose documents/information is being requested along with a copy of the specific materials that are to be disclosed, and provided further that confidentiality is requested for the materials being disclosed.

The parties shall maintain the confidentiality of the HGPII Evaluation and shall not rely on or introduce as evidence in any arbitral, judicial or other proceeding:

•Views expressed or suggestions made by another party with respect to a possible settlement of the dispute which takes place during the HGPII Evaluation;

•Admissions made by another party in the course of the HGPII Evaluation proceedings;

•Proposals made or views expressed by the Neutral; or

•The fact that another party had or had not indicated willingness to accept a proposal for settlement made by the Neutral.

APPLICATIONS TO COURT AND LIMITATION OF LIABILITY

Neither HGPII, AAA, nor any Neutral is a necessary party in judicial proceedings relating to the subject of the Evaluation.

Neither HGPII, AAA, nor any Neutral shall be liable to any party for any act or omission in connection with any HGPII Evaluation.

DISQUALIFYING FACTORS OF A HGPII EVALUATION

The following Disqualifying Factors shall be taken into consideration by the Neutral, as set out herein:

- Complaints that are general in nature and do not state a specific failure to adhere to the GPO Contract Process.
- An allegation that the GPO Contract Process or award decision is in violation of law, is inadequate or otherwise inappropriate. Allegations of this nature should be brought to the attention of the Coordinator.
- A failure by the Vendor to submit a response to a RFP (or other required documentation) by the deadline specified in the RFP instructions, or other failures to satisfy procedural or minimum requirements, including but not limited to a failure of the parties to reach mutually agreeable contract terms.
- Failure of a Vendor to meet established time lines for filing a request for HGPII Evaluation (as set forth above).
- Any complaint related to a request for a New Technology award where Vendor failed to respond to a previous RFP for that product which met the description of the Vendor's product and the Vendor's product was being marketed by the Vendor at the time of the RFP.
- The Vendor has failed to cooperate with the Neutral during the HGPII Evaluation, including without limitation the failure to provide requested information in a timely manner.
- The Vendor failed to complete the GPO Grievance Process.
- Any complaint relative to a RFP and/or award that already has been the subject of a HGPII Evaluation in relation to the same Vendor.
- Complaints related to award decisions or other actions associated with the RFP that are the subject of litigation. If, during the course of the HGPII Evaluation process, either party files suit against the other, then the HGPII Evaluation shall immediately cease and all submitted materials will be immediately returned to the submitting party.

OUTCOMES

The HGPII Evaluation is designed to provide a Vendor with an independent evaluation of its complaint. The evaluation shall reflect the Neutral's opinion regarding the Vendor's response to the RFP and the GPO's review and evaluation of such response in relation to the underlying RFP, the GPO Contract Process, and the GPO Grievance Process. The Neutral will not, however, provide any opinion relative to decisions reached by a Member or Member Council in connection with the applicable RFP. In addition, the Neutral may, in his/her discretion, provide recommendations regarding the GPO Contract Process and/or the GPO Grievance Process.

In the event the Neutral issues an opinion that (i) the GPO Contract Process was not followed AND (ii) as a result of not following the GPO Contract Process the Vendor was denied a contract award, then the GPO shall, subject to the individual GPO Contract Process, either (x) award a contract to the Vendor, (y) bid or re-bid the product or product category, (z) or submit the HGPII Evaluation to the appropriate GPO Member Council for reevaluation of the award decision, taking into account the HGPII Evaluation. Within five business days following receipt of the Neutral's evaluation, the GPO shall notify the Vendor and the Coordinator of whether the GPO is awarding a contract, bidding or re-bidding the product or product category, or submitting the HGPII Evaluation to the appropriate GPO Member Council. In the event the GPO submits the HGPII Evaluation opinion to its Member Council, the GPO shall make all reasonable efforts to facilitate a prompt meeting and decision of such Member Council. Notification of the Member Council decision shall be provided to the Vendor and Coordinator within five business days of the Member Council reaching a decision.

In the event the Coordinator, upon receipt of the Neutral's evaluation, believes that a HGPII GPO member has failed in a material and serious degree to observe the HGPII Principles, or has engaged in conduct materially and seriously prejudicial to the interest of HGPII, the Coordinator shall review and discuss such complaints with the GPO and shall take such action as the Coordinator deems necessary and prudent pursuant to the By-Laws of the HGPII.

No party shall have any obligation to amend or otherwise change policies or practices in response to recommendations made by the Neutral. However, parties are encouraged to consider

such recommendations in the context of industry best practices, reasonable business practices, and GPO member needs and input.

Retaliation against any Vendor who, in good faith, requests review pursuant to a GPO Grievance Process or the HGPII Evaluation is prohibited. Concerns regarding retaliation should be brought to the attention of the Coordinator. (Contact information is set out below.)

FEES AND EXPENSES

A non-refundable case set-up fee per party is charged by AAA. In addition, a non-refundable case set-up fee per party is charged by HGPII. In addition to the case set-up fees, the Neutral shall charge, at his or her published rate, for conference, review and study time, as well as for expenses. The Neutral may assess all charges to one party or divide the obligation for the Neutral's charges between the parties based on the Neutral's evaluation of culpability. Each party is responsible for its own costs, including legal fees, incurred in connection with the HGPII Evaluation.

Before the commencement of the HGPII Evaluation, AAA shall estimate anticipated total cost and each party shall be required to pay its portion of the case set-up fees and an amount equal to the Neutral's estimated charges prior to the HGPII Evaluation. When the HGPII Evaluation is concluded, AAA shall render an accounting in accordance with the assessment of fees as determined by the Neutral and shall return any unexpended balance to the applicable party. In the event a party is determined to owe more in fees than has previously been paid to AAA, such party shall pay the difference to AAA within 5 business days of receipt of notification of fees due.

ANNUAL REPORT OF HGPII EVALUATION

The Coordinator shall set out in HGPII's annual report a summary report including the number of HGPII Evaluation requests received, the number of evaluations conducted and the number of requests which were denied as a result of disqualifying factors. The Coordinator may, in his/her discretion provide general information regarding types of complaints, however, any such

information shall be blinded as to the names of the parties and as to any information that might otherwise identify any party to a HGPII Evaluation.

Each HGPII GPO shall provide information regarding its GPO Grievance Process, as well as information regarding its participation in and outcomes of any HGPII Evaluations in its responses to the HGPII Annual Public Accountability Questionnaire.

NOTICES

All notices and other communications to any party hereunder shall be in writing and shall be given to such party at its address set forth on the signature page hereof. Each such notice or other communication shall be effective if given (i) by mail, 48 hours after such communication is deposited in the mail with first class postage prepaid, (ii) by nationally recognized overnight courier, 24 hours after sending, or (iii) by any other means when delivered.

DEFINITIONS:

"AAA" means the American Arbitration Association.

"Coordinator" means the Initiative Coordinator of HGPII.

"GPO" means a healthcare group purchasing organization.

"GPO Contract Process" means the contracting process utilized by an individual GPO (i) to competitively solicit proposals from and award contracts to Vendors or (ii) to evaluate New Technology submissions from and award New Technology contracts to Vendors.

"GPO Grievance Process" means the published process established by a GPO to review a Vendor complaint.

"HGPII" means the Healthcare Group Purchasing Industry Initiative.

"HGPII Evaluation" means the HGPII Vendor Request for Independent Evaluation.

"HGPII Principles" means the principles established by HGPII that underscore the healthcare group purchasing industry's commitment to use ethical business practices to help healthcare providers provide quality patient care at the most manageable cost.

"Member" means a healthcare provider that is a member of client of a GPO.

"Member Council" means a group or committee comprised of GPO Members that is responsible for clinical review, award determination and, where applicable, final review of the HGPII Evaluation.

"Neutral" means an independent third-party reviewer as determined by AAA.

"New Technology" means the definition set out in an individual GPO's New Technology Process.

"New Technology Process" means the process by which an individual GPO evaluates and awards contracts for New Technology.

"RFP" or "Request for Proposal" means an invitation to submit a proposal/bid issued by a GPO pursuant to a GPO Contract Process.

"Vendor" means a supplier that seeks a contract award from a GPO pursuant to a RFP or through a New Technology Process.

1. For more information about AAA, see www.adr.org.

APPENDIX J

BIOGRAPHIES OF THE HGPII ETHICISTS

John Hasnas, JD/LLM, Associate Professor of Business at the McDonough School of Business at Georgetown University

John Hasnas is a professor of business at Georgetown's McDonough School of Business, a professor of law (by courtesy) at Georgetown University Law Center and the executive director of the Georgetown Institute for the Study of Markets and Ethics. Professor Hasnas has held previous appointments as associate professor of law at George Mason University School of Law, visiting associate professor of law at Duke University School of Law and the Washington College of Law at American University, and Law and Humanities Fellow at Temple University School of Law. Professor Hasnas has also been a visiting scholar at the Kennedy Institute of Ethics in Washington, DC and the Social Philosophy and Policy Center in Bowling Green, Ohio. He received his B.A. in Philosophy from Lafayette College, his J.D. and Ph.D. in Legal Philosophy from Duke University, and his LL.M. in Legal Education from Temple Law School.

William (Bill) J. O'Rourke
Retired Alcoa Vice President,

Fellow, Wheatley Institute,

Brigham Young University
John Carroll University Board Member

Bill O'Rourke retired from Alcoa in September, 2011. He continued to serve on the Board of the Alcoa Foundation and teach "Values" at Alcoa's Corporate Exective Development Programs until 2013. He joined Alcoa as a Patent Attorney in 1975 and held a number of leadership positions including Corporate Patent Counsel, Vice President of Global Business Services (Financial Services, HR Services, Aircraft Operations, etc.), Chief Information Officer, Vice President of Procurement, Corporate Auditor, and Assistant General Counsel. From 2005 to 2008 Bill was the President of Alcoa-Russia. Bill was the Vice President, Environment, Health & Safety and Sustainability three times under three CEOs at Alcoa. Prior to Alcoa Bill was an Industrial Engineer for U.S. Steel Corporation and ran the underground mining parts business for Joy Manufacturing Company.

Bill is also a Fellow of the Wheatley Institution in the Marriott School of Business at Brigham Young University where he serves on the Ethics Advisory Board and teaches ethics to all Business School students. He is on the Board of Directors of John Carroll University in Cleveland and serves on the Ethics Advisory Counsel of the Healthcare Group Purchasing Initiative in Washington, DC. He was on the Board of Directors (Past Chairman)of Sustainable Pittsburgh, and serves on a number of other civic, charitable and religious organizations. From 2011 to August, 2014 Bill was the Executive Director of the Beard Institute for Ethics at the School of Business at Duquesne University. Bill lectures on Business Ethics and Safety at a number of companies around the World and at dozens of universities including the University of Pittsburgh, Michigan, Nebraska, Arizona State, Illinois, Carnegie Mellon, San Jose, Benedictine University, Notre Dame, Virginia Tech, the University of Dayton and Duquesne University. In

August, 2016 Bill published the book A Field Guide to Business Ethics, with co-authors Dr. Bradley Agle and Dr. Aaron Miller.

Bill received his undergraduate degree (BS/BA) from John Carroll University and his law degree (JD) from Duquesne University. Bill served as an officer in the U.S. Army Transportation Corps.

Bill and his wife, Elena, have three children and live in Pittsburgh, Pennsylvania.

GEC Risk Advisor
Transforming Risk into Value®

Jacqueline E. Brevard, JD, LLM
Senior Advisor

T: +1.908.230.1537
F: +1.908.654.1532

Jacqueline E. Brevard, JD/LLM Senior Advisor, GEC Risk Advisory

Jacqueline E. Brevard is Senior Advisor at GEC Risk Advisory LLC, the global governance, risk, integrity, reputation and crisis advisory firm (www.GECRisk.com) serving executives, boards, investors and advisors in diverse sectors, growth stages and industries, primarily in the Americas, Europe and Africa. Client assignments range from strategic to tactical, including enterprise and specific risk assessments, crisis planning, integrity program development, codes of conduct, and customized education from the boardroom to the shop floor.

She is a Program Director for The Conference Board, a member of the Adjunct Faculty at New York University, and a member of the Faculty at the Ethics and Compliance Initiative, specializing in innovative risk management techniques. She is an Ethisphere *2009 100 Most Influential People in Business Ethics.*

Ms. Brevard, the former Vice President, Chief Ethics and Compliance Officer of Merck & Co., Inc., is the pioneer and visionary who developed and successfully implemented the first comprehensive Global Ethics and Compliance Program for a top-tier global pharmaceutical company, driving Merck & Co. to a leadership position in organizational ethics and compliance and setting the standard that others would follow years later. She has more than

20 years of experience in the corporate ethics and compliance field, as Merck's Ethics and Compliance Program and Ombudsman Program were consolidated under Ms. Brevard who reported regularly to Merck's Executive Committee and the Board. Ms. Brevard also has more than 15 years of experience as an international transactional attorney having completed projects, during her tenure at Merck, in Latin America, Asia-Pacific, Central and Eastern Europe, the Middle East and Africa.

She is Chair of the Board of the International Business Ethics Institute, a member of the Advisory Board of the Institute for Ethical Leadership at Rutgers University, and a member of the Advisory Board of the Healthcare Group Purchasing Industry Initiative (HGPII).

Ms. Brevard has also served on the Board of Directors of the Ethics and Compliance Initiative, and is Vice Chair *Emeritus* of the organization. She is a Founding Fellow of the Ethics Research Center's Fellows Program, where she served as its Chair. Ms. Brevard is a published author and a frequent speaker at many distinguished conferences and universities, including ECI conferences, Compliance Week, Practicing Law Institute, the Pharmaceutical Regulatory and Compliance Congress, the Corporate Executive Board's CELC, Institute for Ethical Leadership at Rutgers University, NYU, Georgetown University and Columbia University.

Ms. Brevard received a J.D. from Rutgers University School of Law and an LLM in International Law from New York University School of Law.