

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 1 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

<p>SCOPE: All HPG Colleagues in all HPG departments.</p>
<p>PURPOSE: To establish uniform policies to be used in negotiation and execution of contracts</p>
<p>POLICY: Contract negotiation, contract selection including financial and clinical review, and contract execution including contract loading and related rebate and admin fee projection should follow standard procedures and be clearly documented.</p>
<p>EXCEPTIONS: Contract negotiation can be unique for every product or service. As a result, there may be exceptions to any of the steps described included in the standard process. Exceptions should be clearly documented by the Contract Manager. The process below describes the most common negotiation practices, policies and procedures. At any point in time during a contract negotiation, HPG in conjunction with the applicable Advisory Board may re-start a contract process (requesting proposals from additional vendors, etc.), amend the current contract, renew the current contract, or determine that a national agreement for the requested product/service will not meet the needs of HPG members (the contract process will be terminated). In addition, some contract processes may be very complex resulting in a duplication of several of the process steps described below to provide additional information to the Contract Manager, related Advisory Board team and Financial Analysts to help ensure the best quality product or service is selected at the best price.</p>
<p>DEFINITIONS:</p> <p><u>Annual Contract Plan</u> – In the 4th quarter of every year, the National Agreements team creates a Contract Plan for the subsequent year. This plan includes any renewals for existing contracts which are expiring, any known amendments or extensions of existing contracts and proposed new contracts. Once the plan is approved by the VP of National Agreements, each AVP enters their portion of the Annual Contract Plan into GOALS. The plan often changes throughout the year to include new contract projects as they arise based on need. These changes are then entered into GOALS by the applicable AVP with a reason for the change which is identified in the monthly change report document.</p> <p><u>Bundled Contracts</u> – It is HPG's desire to treat each unique contracting product line/category as its own project; as a result, HPG does not bundle unlike or dissimilar products. HPG may, however, based on clinical direction, consider products that are closely related or work together and treat the contracting opportunity as a system project versus a single product line. (For example IV Therapy as a system approach to include IV sets, solutions and pumps versus having a separate contracting project for each category.)</p> <p><u>Catalyst</u> – The on-line database used to verify pharmacy product and pricing information for PACT contracts.</p>

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 2 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

Clinical/Quality Advisory Boards – HPG has eight boards which both provide clinical/quality analyses of contract proposals and which research new products as they emerge or are requested by member groups. Each board is made up of representatives from HPG’s equity partners and significant member groups, and each board is directed by an HPG associate. The boards typically meet at least three times a year, and they routinely participate in numerous teleconferences and email discussions.

- Surgical Advisory Board
- Nursing Advisory Board
- Radiology Advisory Board
- Laboratory Advisory Board
- Pharmacy Advisory Board
- Information Systems Advisory Board
- Food & Nutrition Advisory Board
- Materials Management Advisory Board

HPG may also utilize or assemble additional resources to provide clinical/quality feedback regarding a contracting project. Subject matter experts may be added to the existing advisory board for certain categories, or a separate ad hoc board may be assembled for a contract category (i.e. anesthesia supplies). HPG also utilizes member specific clinical groups for input into the contracting process when appropriate (i.e. cardiovascular or orthopedic groups).

Compliance Team – This team manages the compliance resolution process for contracted suppliers and HPG members that have discrepancies or issues related to pricing tiers, commitment qualifications and contract compliance issues.

Contract Analyst Team – A team of analysts generally assigned to work with the National Agreements Team(s). Contract Analysts are responsible for loading contract items and pricing into the IMS system along with setting up and maintaining commitment groups for contracts with multiple pricing tiers.

Contract Management System – A system that has been developed to help automate and standardize the contract process and related work flow. This system went operational in January 2006. An additional module for the Contract Management System (“CMS”) called “RFX” is scheduled to be completed in 2006. RFX will help to automate the RFI and RFP processes.

Contract Price File (similar to standard industry Form 832) – An HPG form that provides product pricing, product description, product codes, units of measure and other related product information. This form is obtained from contracted vendors and loaded into the IMS system.

Contract Summary Communications – A link to a Contract Summary Report which provides an

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 3 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

alphabetic listing of all new contracts, contract renewals, contract amendments, or other contract changes is sent to HPG members every two weeks in the *HPG Response* email. Included with the summary report are listings of all HPG National Agreements sorted by vendor and by description, applicable “Contract Summary Sheets” (provide top level summary information about contracts), and listings of contract item additions or deletions or item price changes.

Contract Summary Sheet – An executive summary of the signed agreement which includes top level summary information such as vendor information, agreement period, price protection information, commitment form details, payment terms, etc.

Contract Types – Five types of contracts are typically negotiated by the National Agreements team as described below:

- ***Sole*** – Indicates an exclusive contractual agreement to purchase from one nationally contracted vendor (may be referred to as “Single” source). HPG may enter into these agreements if:
 - Doing so provides extraordinary economic value; this is the contract platform for commodity products.
 - The awarded supplier is able to service the membership
 - HPG will weigh issues such as conversion costs and conversion impact on member operations
 - Must have the support of the appropriate HPG Advisory Board and HPG Board to help insure compliance
- ***Dual*** – Allows facilities to choose between one of two specified national contract vendors. Dual source will allow choice and create the opportunity for one of the dual source vendors to compete. HPG may enter into these agreements if:
 - There is little overall value by going sole
 - The awarded suppliers are able to service the membership
 - HPG will weigh issues such as conversion costs and conversion impact on member operations
 - Must have the support of the appropriate HPG Advisory Board and HPG Board
- ***Multi-Source*** – Lists three or more national contract vendors. Members are expected to buy from at least one of the contracted vendors to be considered in compliance with respect to HPG criteria. HPG may enter into these agreements if:
 - There is little overall value by going sole or dual
 - If it is a Physician Preference category
 - If the contract category is service intensive (e.g. Distribution)
 - The awarded suppliers are able to service the membership
 - HPG will weigh issues such as conversion costs and conversion impact on member operations

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 4 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

<ul style="list-style-type: none"> ○ Must have the support of the appropriate HPG Advisory Board and HPG Board ● Optional – At least one nationally contracted vendor with the option to add others. It is the facility’s discretion whether or not to use this “optional” vendor. These suppliers go through the same process as any HPG vendor however, if HPG’s ability to deliver compliance is questionable HPG will not enforce compliance. Example: Transcription Services, Safety Products ● Single – There is only one vendor in the country who provides the supply item or service. Single suppliers typically will not negotiate on price as they are aware that they are the only vendor who provides the product needed. <p>Entegra – An outsourced food contract group purchasing organization (“GPO”) that is a related party to HPG. All HPG members have the ability to access contracts offered by this related party. Entegra forwards any contract rebates, incentives, and admin fees to HPG for processing and allocation to HPG members.</p> <p>Financial Analyst Team – A team of Financial Analysts assigned to work with the National Agreements Teams and a Finance Manager which provide financial analyses of contract proposals and which analyze the financial viability of bidding vendors. The Analysts also estimate contract spend to project rebates and admin fees (see Accounting Policy Guides # 1 and 2) and prepare ad hoc financial analyses.</p> <p>GOALS – A database system used by the HPG National Agreements team to document project/contract plans, steps taken, milestones for sourcing, and volume and incremental savings/costs for each contract process. Each project has four milestones: Project Initiation, Strategy Development and Negotiations, Implementations/Communications, and Legal Contract Finalized.</p> <p>HPG Response (formerly called “FAQ”) – An email communication sent to HPG members every week which provides selected new contract announcements, issues noted with existing contracts (such as recalls, back-orders, etc.), and other HPG business communications such as HPG conference information and contacts, etc.</p> <p>IMS System – The IMS system is a system into which contract items, pricing and related product information are loaded and member groups are assigned to a particular tier of pricing for contracts which have multiple tiers and/or require a Letter of Commitment. The IMS system has established data validation rules which help to ensure that new data is not duplicated, effective/expiration dates are logical, catalog/reorder numbers are formatted properly, and units of measure are correct. The IMS system updates the vendor, contract line-item pricing and non-contracted item data housed within the HCA Supply Management and Resource Tracking (SMART) system and the Enterprise Data Warehouse (EDW) system. Contract data from the IMS system is also uploaded into HPG’s</p>
--

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 5 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

website – SCRUBS.

Launch Package – A package of materials providing comprehensive information for a new contract offering. The launch package typically includes a cover sheet, contract summary sheet (provides top level vendor, contract and product data), list of product pricing and related product information, list of frequently asked questions and special policies (regarding returns, warranties, value added programs, etc. as applicable).

A special communication called “Contract Announcement” is emailed to all HPG members whenever launch packages are issued; the email includes a link to HPG’s website (SCRUBS) where the launch package is available for viewing/printing. Subsequent to the initial communication, launch packages are loaded in the “What’s New” area of SCRUBS until their effective date. After that, they are viewable in the “Launch Package” area of SCRUBS.

Minorities and Women of Business Enterprises (“MWBE”) Team – A team which identifies, validates and certifies MWBE’s for national contracting opportunities. The team is currently outsourced from one of HPG’s equity owners, Triad Hospitals, Inc.

National Agreements Teams – The National Agreements department is divided into four teams. Each team includes an AVP and one or more Contract Managers or Directors. Each team negotiates agreements for their designated area and reports to the Vice President of National Agreements.

- Clinical Product Team – primarily negotiates agreements for medical supplies
- Clinical Equipment Team – primarily negotiates agreements for medical equipment
- Medical Device Team – primarily negotiates agreements for medical devices
- Non-clinical Team – primarily negotiates agreements for non-medical supplies, IT related products and equipment.

PACT (Purchasing Alliance for Clinical Therapeutics) – An outsourced pharmacy contract group purchasing organization (“GPO”) that is a related party of HPG. All HPG members have the ability to join PACT at no cost to obtain access to PACT’s pharmacy contracts. PACT forwards any contract rebates and admin fees to HPG for processing and payment to HPG members.

Project Milestone Task Plan Checklist - A checklist used to track the four contracting milestones and the specific tasks within each contracting step. This document is completed by the Contract Manager and assists in identifying associated dates/comments for each specific task.

RAFT – The HPG system designed to project, track and record rebates and admin fees.

Request for Proposal (“RFP”) – The invitation that may be issued to select vendors to provide bids to HPG for a selected product(s) or service.

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 6 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

Request for Information (“RFI”) – The invitation that may be issued to select vendors to provide information to HPG for a selected product(s) or service. An RFI is issued only if HPG does not have enough information on a product to prepare and issue an RFP.

SCRUBS – The HPG website which provides separate secured areas for both members and vendors. Contract listings; electronic catalog of product descriptions, item numbers and pricing; letters of commitment; rebate and admin fee allocation information; internal audit report findings; announcements; new contract launch packages; TechNet newsletters; PASS newsletters; HPG annual conference information; and other HPG operational offerings and announcements are available on SCRUBS.

Strategic Sourcing (S2) – A service offered by HPG, primarily in the area of physician preference medical devices, whereby a group or division of a member under common control or ownership can enter into an alternative value proposition with a contracted supplier. This contracting opportunity is established through the national contract between the supplier and HPG.

Vendata – The HPG system in which contract and vendor summary information is entered. This system will be replaced by the new Contract Management System (“CMS”) in the first quarter of 2006.

Vendor Analyst Team – A team of vendor analysts which are responsible for setting up vendors in the IMS system.

PROCEDURE:

INTRODUCTION:

- 1) Annual Contract Plan: In the 4th quarter of every year, the National Agreements team in conjunction with the Clinical team creates a Contract Plan for the subsequent year. This plan includes any renewals for existing contracts which are expiring, any known amendments or extensions of existing contracts and proposed new contracts. Timing of projects throughout the year is determined by the National Agreements Team, in conjunction with the applicable Clinical Advisory Board, and may not be dictated by expiration dates of original agreements. Once the plan is approved by the VP of National Agreements, each Contract Manager or AVP enters their portion of the Annual Contract Plan into **GOALS**. GOALS is a system used by the HPG National Agreements team to document the project plans, steps taken, documented milestones for sourcing, and volume and incremental savings/costs for each contract process(see **Exhibit A** for example of “**Milestones for Sourcing Road Map**” in which each individual project plan is documented). The plan often changes throughout the year to include new contract projects as they arise based on need. Plan changes are then entered into GOALS by the applicable Contract Manager or AVP with a reason for the change which is identified in the monthly change report

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 7 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

document.

- 2) Origin: Contract awards are typically negotiated when an existing contract is expiring or when an area of need currently not under contract is identified. New contracts may be negotiated when a request is received either from the field (from member groups or facilities) or from an advisory board.

PROJECT INITIATION:

- 3) Contract Manager -- Research: The applicable Contract Manager reviews the current contract(s) related to the product (if applicable), and the Contract Manager researches the product via internet searches, discussions with the related advisory board lead, etc. If applicable, the advisory board lead will obtain feedback from the board members in order to assist in the development of the preliminary strategy. The Contract Manager may also request preliminary financial review data from the applicable financial analyst assigned to the Contract Manager's team and service/product quality feedback from the Customer Service team. Preliminary Financial review may encompass one or more of the following:
 - a) Review of current contract pricing loaded in IMS (if applicable)
 - b) Review of applicable vendor financial data (to determine vendor viability)
 - c) Comparison of pricing information to published industry pricing if available. Examples of published pricing data sources are: ECRI (for equipment), GSA (for nonclinical supplies) and HCA's Data Warehouse or IMS systems (for similar clinical and nonclinical products).
- 4) Contract Manager -- RFI: If limited or no information is readily available for a new product or service, the applicable Contract Manager sends an RFI to all vendors identified during their research. The **RFI** is a standard form which can be easily modified to request specific information about a product. If applicable, advisory board input is incorporated into the RFI. The RFI requests financial information about the vendor (to verify financial viability) and asks the vendor to state whether or not they are on the Federal Government and OIG Excluded Parties listings. The RFI designates a date for when vendor information is due back to HPG. See **Exhibit C** and **C-1** attached for a sample RFI form. Information obtained from an RFI is then used by the Contract Manager to prepare an RFP to send to applicable vendors. The Advisory Board's review of RFI's may eliminate some vendors from the subsequent RFP process (discussed below).

Note: In some cases, only one vendor may be identified in the RFI process; in these cases, the single vendor is sent an RFP as described below. Soft copies of RFI's are saved to the HPG shared drive. *FUTURE CHANGE: When RFX component of new Contract Management System ("CMS") is completed, copies of RFI's and RFP's will be saved as attachments to the related contract project within the CMS database system.*

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 8 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

STRATEGY DEVELOPMENT AND NEGOTIATIONS:

5) Contract Manager/Advisory Board Lead (if applicable) -- Proposed Preliminary Strategy: The Contract Manager in conjunction with the related advisory board lead (if applicable) will formulate a preliminary strategy for pursuing the applicable contract(s) based on research; the preliminary strategy will be proposed to the applicable audience who ultimately reviews the project via a “preliminary strategy email” (discussed below).

NOTE: HPG’s process includes a preference for competitive procurement. HPG uses a Request for Proposals (“RFP”) process wherein bids are requested from applicable Suppliers who meet the criteria specified in the Supplier Criteria Policy [HPG.010] (see below where the RFP process is discussed). There are limited exceptions to the RFP process: Primarily exceptions relate to products/services which are currently under contract with a Supplier for which member and quality/clinical advisory board feedback is positive, the Supplier’s pricing is comparable to the market (based on market research), and for which a conversion to another Supplier’s product/service is costly. In these cases, the Contract Manager may recommend to renew an existing agreement. In addition, certain products/services may only be available from a single qualified Supplier.

Examples of proposed strategies are:

- a) Recommendation to renew current (sole/dual/other) contract arrangement with existing vendors (in this strategy, there will not be a formal “bid” or RFP process) Please note that a Contract Manager will recommend to renew an existing agreement and bypass the RFP Process (discussed below) *only if* the quality/clinical advisory board feedback is positive, the Supplier’s pricing is comparable to the market (based on market research), and/or the conversion to another Supplier’s product/service will be costly. In these cases, the Contract Manager may decide to renew an existing agreement.
 - b) Recommendation to go from dual to sole for a product based on bids (RFP Process discussed below)
- 6) Contract Manager – Preliminary Strategy Email: The applicable Contract Manager prepares a “**Preliminary Strategy Email**” based on their proposed preliminary strategy which is sent to the following groups at a minimum: applicable advisory board team, applicable HCA clinical & quality team (if one exists), MWBE team, equity partner contacts, applicable HPG financial analyst. See **Exhibit B** attached for sample preliminary strategy email. The email provides the following:
- a) Background of product or service
 - b) Clinical considerations (if any)
 - c) Award Considerations (multi, dual, sole, etc.)
 - d) List of vendor(s) to whom RFP’s will be issued (if applicable; based on field/market knowledge, internet research, feedback from RFI’s, etc.)
 - e) Anticipated date on which RFP’s will be issued (if applicable)
 - f) Requests input from the group (for example, the MWBE team should respond to the email if

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 9 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

they are aware of minority vendor(s) to whom an RFP should be sent)

g) Other data as needed.

A hard copy of the preliminary strategy email is typically printed and maintained in the contract files. Copies of the preliminary strategy email will be attached in CMS to each applicable contract record related to this project.

7) Contract Manager -- RFP: The applicable Contract Manager may send an RFP to those vendors identified either in the preliminary strategy email or identified from the RFI (if applicable). An RFP is also issued to any MWBE vendors identified by the MWBE team. The **RFP** is a standard form which can be easily modified to request specific pricing information. The RFP also requests financial information about the vendor (to verify financial viability) and asks the vendor to state whether or not they are on the Federal Government and OIG Excluded Parties listings. The RFP also requests qualitative data such as performance testing results, ability of a product to work with related products, cross reference materials, maintenance of a product, customer service availability, and any other product/service requirements identified by the advisory board lead (if applicable). The RFP designates a date for when vendor bids are due back to HPG. See **Exhibit D** and **D-1** attached for a sample RFP form. Soft copies of RFP's are saved to the HPG shared drive. ***FUTURE CHANGE:** When RFX component of new Contract Management System ("CMS") is completed, copies of RFI's and RFP's will be saved as attachments to the related contract project within the CMS database system.*

8) Financial Analyst Team -- Financial Analysis: When RFP's are received from vendors, the Contract Manager forwards the pricing file attached to the RFP (called *Exhibit A*) (which is the **Exhibit D-1** form referenced above) to the applicable Financial Analyst via email. A Financial Analyst is assigned to each National Agreements team(s). The Contract Manager explains what type of analysis is needed (current to proposed spend or dual between selected vendors, etc.) using a standard "**Request for Preliminary Financials**" form – see **Exhibit E**. The Financial Analyst typically performs the following for each returned RFP:

- Financial Analysis of vendor to verify vendor is solvent, etc. This analysis may include downloading data from OneSource or another paid web source for both public and private company financial data. The analyst may also use any company financials that were contained in the RFP response.
- Checks the excluded parties listings on the web to verify the vendor is not listed
- Reviews and edits the pricing information as needed to get it into a format that can then be easily compared to other bids (if applicable); this process may require additional requests of vendors who did not submit all data required or who submitted data in a format that is not user friendly.
- Compares pricing information to published industry pricing if available. Examples of published pricing data sources are: ECRI (for equipment), GSA (for nonclinical supplies) and HCA's Data Warehouse or IMS systems (for similar clinical and nonclinical products).

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 10 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

e) If the vendor has submitted an “Exhibit B” (Freight Transmittal Form & Letter) with the RFP, the Analyst forwards the documents to the Manager of Freight & Distribution. The **Freight Transmittal Form & Letter** (see **Exhibit O**) provides information related to how manufacturers transport product to HPG members; it will be completed by vendors who plan to ship product directly to HPG members. Vendors who ship through Distributors to HPG members do not need to complete this exhibit.

When all RFP’s have been returned, the Financial Analyst analyzes the bid pricing of the RFP’s for vendors who are not on the Federal Government (GSA) or OIG excluded parties listings. **If a vendor has been eliminated from consideration for clinical or operational reasons than their bid pricing would not be included in the review.** The Financial Analyst then summarizes their review findings. These are forwarded to the Contract Manager and the Finance Manager for their review.

Soft copies of the Financial Analyst’s work are saved to the HPG shared drive. Copies of the Analyst’s Financial Review documents will be attached in CMS to each applicable contract record related to this project.

9) Contract Manager/Advisory Board Lead (if applicable) -- Initial Clinical/Quality Review Strategy Discussion: While the Financial Analyst reviews the RFP’s, the Contract Manager reviews the RFP’s along with the applicable advisory board leader. Together, they determine if additional information is needed to properly review the vendors, and they determine if the data can be obtained and presented to the advisory board verbally via teleconference or electronically via email or visually via a meeting at which the applicable vendors will demonstrate their product(s). A history of product or service quality issues reported to HPG Customer Service is reviewed for incumbent HPG vendors. They also check with applicable HCA Departments (e.g. Quality Department, Risk Department, IT&S, etc.) to determine if there are noted quality issues with any selected vendors and their products.

10) Advisory Board Team (if applicable) -- Clinical/Quality Analysis **Without** Product Demonstrations: If the Contract Manager and advisory board lead determine that a product demonstration is not needed, advisory board members will be asked to review the vendors who submitted the RFP’s. The applicable advisory boards review vendors based on a qualitative review of the RFP responses regarding the product/product line’s performance (both effectiveness and efficiency), ease of use, reliability, customer service, warranty, training, appearance, ability to work/interact with related products, transition investment, maintenance history, safety features, product development/R&D, etc. Board members forward their reviews to the Contract Manager. The lead of the applicable advisory board summarizes the board’s findings in an email – see example at **Exhibit G**. A hard copy of the email is typically printed and maintained in the contract file. Copies of the board review documents will be attached in

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 11 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

CMS to each applicable contract record related to this project.. The Contract Manager documents the board member rankings/proposal and comments in the strategy email which is discussed below.

- 11) Advisory Board Team (if applicable) -- Clinical/Quality Analysis *With* Product Demonstrations: If the Contract Manager and advisory board lead (if applicable) determine that a product demonstration is needed, they will to schedule a board meeting and vendor demonstrations. Together, they prepare a **Clinical Scoring Matrix** (see **Exhibit H**) based on service, technical and quality standards that are applicable to the product/product line. The matrix provides a scoring mechanism used by each board member to review the vendors based on a qualitative review of the product/product line’s performance (both effectiveness and efficiency), ease of use, reliability, customer service, warranty, training, appearance, ability to work/interact with related products, transition investment, maintenance history, safety features, product development/R&D, etc. Prior to the vendor demos, the advisory board will analyze the matrix to help ensure they understand and agree with the review attributes. Vendors are then asked to present their products following a prescribed process which addresses each review attribute in the order in which the attributes appear on the matrix. Board members then score the vendors and forward their review comments to the Contract Manager. A hard copy of the matrix is typically printed and maintained in the contract file. A soft copy of the matrix is saved to the HPG shared drive. Note: In some cases, actual facility level evaluations may be conducted to review the performance of the product. The evaluations will be schedule by the Contract Manager and applicable board lead, and findings will be documented in the contract file. Copies of the board review documents will be attached in CMS to each applicable contract record related to this project.
- 12) Contract Manager -- Review of Clinical/Quality and Financial Rankings: The Contract Manager reviews the rankings and other feedback from the applicable financial analyst and advisory board team. If it appears that the financial rankings are significantly different than the clinical/quality rankings, the Contract Manager will arrange a meeting with the applicable advisory board lead and the Contract Manager’s AVP. The Financial Analyst, VP of National Agreements and VP of Clinical Operations (if applicable) may also be included in the meeting. The vendor with the lowest cost financial review will only be selected if the product meets clinical/quality standards. The “final strategy” will be determined in conjunction with the advisory board lead (if applicable).
- 13) Contract Manager -- Update Email: If the scope of the contract is large or very complex, the Contract Manager may send out periodic “**Update Emails**” which discuss issues and interim findings by the clinical or financial teams. See **Exhibit X** for sample update email.
- 14) Contract Manager – Final Strategy Email: The Contract Manager documents the selected vendor(s) and contract strategy in a “**Final Strategy Email**” which provides an updated overview

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 12 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

of the product/product line and outlines the clinical/quality and financial review rankings (see **Exhibit I** attached). This email is sent to the same people to whom the “preliminary strategy email” is sent. This email asks the respondents to vote on the recommended contract strategy – either “Agree” or “Disagree” or “Question” using Microsoft Outlook voting buttons (screen print showing voting buttons is included in **Exhibit I**). The Contract Manager tabulates the responses. If the responses indicate that a majority of the group agrees, then the Contract Manager notifies their AVP. If a majority of the respondents disagree, then the Contract Manager will query the respondents to determine why they disagree. Additional discussion with the applicable clinical/quality review board may also take place, and the rankings will be re-evaluated. The final strategy email will be updated and resent to the group. A soft copy of the email is saved to the HPG shared drive. Copies of the email(s) will be attached in CMS to each applicable contract record related to this project.

15) Contract Manager -- Alternative Financial Arrangements: If a contract includes any alternative financial arrangements (leases, etc.), the Contract Manager will forward terms of the financing arrangements to HCA’s Treasury Department for review. The Treasury team may recommend that specific language be added to the contract to address alternative financial arrangements if needed. The Contract Manager will add this language to the standard HPG contract form as needed.

16) Contract Manager -- Vendor Notification: Once the Contract Manager has confirmed agreement by a majority of the respondents, the Contract Manager notifies the winning vendor(s) of their selection. The Contract Manager then notifies the vendors who were not selected using a standard “**Vendor Notification Letter**” (see **Exhibit CC**). The standard letter explains why the vendor was not selected, and it asks the vendor to contact the Contract Manager if they have additional questions or concerns. HPG also has an established toll free Ethics Hotline which is published on the HPG website in the HPG Code of Conduct; vendors may call this number if they think that they were not selected due to an ethics or legal violation. Finally, all vendors may write to the VP of National Agreements if they have unresolved issues.

17) Contract Manager -- Business Associate Agreement: If the vendor is a new vendor with which HPG had not previously contracted, then the Contract Manager will send the **Business Associate Agreement** (“BAA”) to the vendor to complete and return (see **Exhibit J**). The Contract Manager sends the original to the National Agreements Administrative Assistant who then (a) scans the BAA’s to be stored on a folder on the HPG shared drive labeled “BAA’s”; (b) emails the scanned copy to the HPG Communications Team for posting on the SCRUBS section of the HPG website; (c) attaches a scanned copy to the appropriate contract record in CMS; and (d) files the original BAA in the National Agreement files.

18) Contract Manager -- Vendor Questionnaire: If the vendor is a new vendor with which HPG had

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 13 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

not previously contracted, then the Contract Manager will send a **Vendor Questionnaire** (see **Exhibit K**) to the vendor to complete and return. The completed questionnaire will then be forwarded to the Vendor Analyst team. The Vendor Analyst Team verifies that the vendor is not already established in the IMS system. If the vendor number is not established, the vendor information will be entered into IMS and a vendor number assigned. The vendor number is communicated to the Contract Manager. Copies of the document will be attached in CMS to each applicable contract record related to this project.

- 19) Contract Manager -- Contract Agreement: The Contract Manager begins preparation of the contract agreement by utilizing the standard contract template in CMS. The template may be modified to include definitions and address warranty and other similar information that is vendor specific. The edited **Contract Agreement** is then sent to the vendor for review and signature. See **Exhibit W** for a sample product purchasing template HPG contract agreement.

LEGAL CONTRACT FINALIZED:

Note - Many of the steps and processes contained in this milestone area may be initiated and finalized in conjunction with the steps and processes included under the “IMPLEMENTATION & COMMUNICATIONS” milestone area.

- 20) Contract Manager -- Request for Legal Review: The Contract Manager forwards the redlined Contract Agreement received back from the vendor to HPG’s legal team with a completed **Request for Legal Review** form (see **Exhibit L**). The legal team reviews the vendor changes and proposes any necessary changes. The Contract Manager will then forward the HPG red-lined contract back to the vendor. The final agreement will be signed by the vendor and returned to the HPG Contract Manager for execution.

- 21) Contract Manager -- Contract Materials Finalization: The Contract Manager will ensure the following steps to finalization are completed:

- a) Notification to Communications Team (if applicable): If the Contract Manager thinks that a Launch Package will be needed to communicate the new contract to members (see where discussed in next section), the Contract Manager emails the Communications Manager to let them know that contract negotiations are being finalized and requesting a Communications Coordinator to work with them on the launch package(s). The Communications Manager assigns a Communications Coordinator, and the Coordinator verifies with the Contract Manager when it’s acceptable to contact the vendor(s).
- b) Notification to Implementations Team (if applicable): For complex contracts, significant new contracts, or contracts in which there are many changes from the previous contract, the Contract Manager may meet with the Implementations team to review the contract terms, products, and pricing structure.
- c) Exhibit A (Contract Price File) Finalized and Sent to Financial Analyst Team – if applicable:

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 14 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

<p>If the contract is for new items, then the Contract Manager obtains from the Financial Analyst a blank “Exhibit A” (Contract Price File) to send to the vendor for completion (see Exhibit M). The Vendor will drop in the contract line items and pricing and return the form to the Contract Manager. [Note – the same exhibit is used for pricing requests in the “RFP” process; as a result, the Financial Analyst may already have the necessary pricing information from the vendor.] The Financial Analyst verifies the format is accurate and the pricing matches the pricing submitted with the RFP (if applicable). If the contract is for current contracted items, the Financial Analyst will obtain a download of the current contract items from the IMS system. This will be sent to the vendor in the contract price file format. The vendor will edit the pricing and item data as needed and return it to HPG where it will be reviewed by the Financial Analyst to verify the pricing matches the pricing submitted with the RFP (if applicable). Copies of this document will be attached in CMS to each applicable contract record related to this project.</p> <p>d) Exhibit A (Contract Price File) Sent to Contract Analyst Team – if applicable: The HPG Contract Manager or Financial Analyst sends the completed Exhibit A (Contract Price File) to the Contract Analyst Team along with a copy of the Contract Summary Sheet (discussed above) where the Analysts will set-up/edit the contract “header” information (vendor name, contract #, contract term, etc.) and begin loading the pricing data into the IMS System (see below for steps performed by Contract Analyst team.) If pricing tiers (multiple prices available for the same contract item based on facility level of commitment purchases) are part of the contract, the Contract Manager includes those tiers on the price file for each item. NOTE: Some contracts have line item pricing that is not loaded into the IMS system. Examples include equipment contracts which have numerous equipment configurations, pharmacy related contracts negotiated by HPG’s third party pharmacy GPO (PACT), and food contracts negotiated through Entegra.</p> <p>e) Standard Commitment Letter – if applicable: Contracts with tiered pricing require facilities to complete Commitment Letters to document their intent to commit to purchase from a stated vendor – see Exhibit Z. The Contract Manager works with the vendor and relevant HPG teams to create an applicable Commitment Letter following a standard template (if needed). These letters will be issued to HPG members when the contract is announced; facilities are instructed to complete and sign the letters prior to stated due dates and fax the signed letters to HPG (see where discussed below). Some vendors (i.e. AGFA, Baxter, J&J) require the Commitment Letters to be faxed directly to them by the facility; in these cases, HPG does not have a record of the facility’s commitment level. Commitment Letters for tiered agreements ultimately determine what pricing is viewable by participants when they access the HPG Website (SCRUBS) and SMART. Copies of this document will be attached in CMS to each applicable contract record related to this project.</p> <p>g) Financial Analysis Summary: The Contract Manager will request that the applicable Financial Analyst complete the Summary Financial Analysis Memorandum (see Exhibit F). The Contract Manager utilizes a standard “Request for Final Financials” form to</p>

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 15 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

document the specific type of financial analysis needed – see **Exhibit N**.

The Memorandum indicates which vendor has the best pricing, and it provides the following (as applicable):

- i) Participating Suppliers – a list of the suppliers who submitted RFPs
- ii) Product Line – a description of the product/product line under review
- iii) Recommendation – a statement of the Analysts’ selected “winning” vendor based on the Financial Analysis (Note: The vendor with the best pricing should always be the selected vendor; if another vendor with higher pricing is selected as the “winner”, then the reason should be clearly documented in the “Summary of Work Performed” section of the Memorandum)
- iv) Summarized Bid Pricing Analysis (if applicable) – a table which shows the winning proposed pricing for the product line (Note – if the new contract is replacing an existing contract, both the “current” and “proposed” pricing are summarized in this table) If the contract includes rebates and admin fees, then annual projections of these fees are also shown.
 - Initiation of **GPO Admin Fee** form: This form (see **Exhibit AA**) is completed for the selected vendor contract to show the estimated quarterly spend and anticipated admin fees to be received on the contract. It will be used by the Financial Analyst to enter admin fee projections in RAFT once the contract is fully executed and added to Vendata by the HPG Communications team. (See **HPG Accounting Policy Guide (“APG”) # 2** for discussion of policies and procedures related to Admin Fees.)
 - Initiation of **GPO Rebate** form: This form (see **Exhibit BB**) is completed for the selected vendor contract to show the estimated quarterly spend and anticipated rebate fees to be received on the contract. It will be used by the Financial Analyst to enter rebate fee projections in RAFT once the contract is fully executed and added to Vendata by the HPG Communications team. (See **HPG APG # 3** for discussion of policies and procedures related to Rebate Fees.)
- v) Summary of Work Performed – a paragraph which briefly describes the work performed and explains how the ‘winning’ vendor was selected
- vi) Leverage (if applicable) – a statement which describes other relationships with the vendor (other existing contracts, when they expire
- vii) EDI Status (if applicable) – the Analyst indicates whether or not the vendor can bill members using EDI
- viii) Gov’t Procurement Status – the Analyst indicates by a checkmark whether or not they have verified that the selected vendor is not on the GSA or OIG lists
- ix) Data Source, Current Spend (if applicable) – the source of the current spend data is documented.

Detailed supporting files are attached to the Summary to support the calculations as are print-

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 16 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

outs from the government excluded vendor websites showing that the selected vendor is not on either of the excluded listings. The Financial Analyst will forward the completed form to the Finance Manager for review. The Finance Manager will initial the form to document his review and forward back to the Analyst. The reviewed form will then be forwarded to the Contract Manager to be included in the contract package. Copies of this document will be attached in CMS to each applicable contract record related to this project.

22) Contract Analyst Team – *Initial* Loading of Contract Price Data (if applicable): Line item pricing data from Exhibit A (Contract Price File) is sent to the Contract Analyst team by the Contract Manager while the contract package is being finalized. The Contract Analyst team will set-up/update the contract “header” information (vendor name, contract #, contract term, etc.) and begin loading the pricing data into the IMS System as described below:

- a) The files are loaded into IMS in a “suspense” area that holds the files until the IMS system edit checks are performed [e.g. checks for item duplication, incorrect vendor information, conflicting effective/expiration dates, catalog/reorder number format errors, pricing tier and unit of measure errors]. IMS Production will not accept the data until all errors are resolved. See **Exhibit S** for listing of edit rules and actions the Analyst needs to take to correct an error for that rule. Rules that have no action indicated are rules that do not have potential financial impact.
- b) Once the contract pricing has been accepted by the system, the Contract Analyst completes a **Contract Analyst Check-Sheet** (see **Exhibit T**) and initials it indicating that the contract header/ & pricing file (if applicable) has been loaded into the suspense area of IMS. This check-sheet is forwarded to the Contract Manager. Copies of this document will be attached in CMS to each applicable contract record related to this project.
- c) Loaded contract pricing data is kept in a suspense area in the IMS system until the Contract Analyst has been notified that the contract is finalized.

23) Contract Materials Assembled for Filing: The following items are included in the contract materials and attached in CMS to the applicable contract record to obtain necessary approvals.

- a) Financial Analysis Summary form
- b) Financial Analysis detail (Exhibit A’s) (Amounts should tie to what is shown on presentation sheet)
- c) Copy (print screens) of websites EPLS (Excl. Parties List System) and OIG Exclusions List showing that selected vendor is not on the list excluded lists
- d) Advisory Board Scoring Matrix or Email (if applicable)
- e) Contract Strategy emails (Preliminary and Final Strategy emails and Update emails)
- f) Contract Agreement

Copies of these documents will be attached in CMS to each applicable contract record related to this project.

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 17 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

24) Contract Manager -- Contract Approval: The Contract Manager prepares the contract record in CMS by completing all required fields for all applicable contracts for a project. This includes completing all fields within the header screen as well as ensuring all attachments are available for each contract record. Once this has been completed, the Contract Manager releases the contract record in CMS into workflow to begin the approval process. Contracts should be approved *at a minimum* by:

- a) The Contract Manager
- b) The Finance Manager
- c) VP of Operations
- d) CFO
- e) Legal Counsel
- f) VP of National Agreements
- g) CEO (if contract value > \$10M)

HCA Corporate and HCA IT&S agreements are exceptions to this rule. In addition, other signatures may be required if applicable:

- h) VP of Clinical Operations (If contract is for clinical supplies, equipment, or services)
- i) The Applicable Clinical/Quality Board Lead (If an Advisory Board assisted with vendor selections)
- j) HCA IT&S (If product or service benefits HCA and IT&S)
- k) HCA Design & Construction (If product or service benefits HCA and Design & Construction)
- l) HCA Energy Program (If product or service benefits HCA Energy Program)
- m) Communications Team (If launch package elements are involved)

Automated approvals are obtained through workflow in CMS by the Contract Manager. Once all necessary approvals are obtained, CMS will release the contract finalizing the contract record in CMS.

25) Contract Manager -- The Contract Manager forwards the signed and executed contract agreement to the National Agreements Administrative Assistant (“AA”). The AA mails one hard copy of the fully executed contract agreement to the vendor and emails a copy of the HPG admin fee and rebate standard Excel templates and related “Vendor Letter” to the vendor to assist the vendor with the subsequent reporting of rebates and admin fees to HPG. See APG #2 and #3 for policies and procedures related to handling of rebates and admin fees. The AA copies the executed contract agreement for the National Agreement files; an additional copy of the executed contract agreement will be made for Contract Managers if requested. The original executed contract agreement is placed in a bin for daily pick-up by the Contract Analyst team (see process related to Contract Analysts below).

26) Contract Analyst Team – Releasing *Final* Loaded Contract Price Data (if applicable): The Contract Analyst team will release previously loaded pricing to the “Production” area of IMS

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 18 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

once they receive the contract package from the National Agreements AA.

- a) SMART: Once the data is released to “production”, the pricing information is automatically passed from IMS to SMART nightly. The data also passes into SCRUBS if the contract terms are also loaded properly into Vendata (see below where Vendata is discussed). **NOTE:** Line item pricing uploaded into SMART from IMS does not force payment of invoices at the loaded price. If an invoice is entered into SMART for contracted items which have loaded prices that differ from the invoice prices, the invoice will not pay – it will be suspended in the payables system until the A/P associate resolves the pricing discrepancies through interaction with Supply Chain Customer Service, HPG Customer Service or the vendor. In addition, processing controls related to disbursements still apply regardless of the pricing discrepancies – disbursements still require appropriate approval either through the PO process or properly approved check request with support.

IMPLEMENTATION & COMMUNICATIONS:

Note - Many of the steps and processes contained in this milestone area may be initiated and completed in conjunction with the steps and processes included under the “LEGAL CONTRACT FINALIZED” milestone area.

- 27) Communications Team – Entering Contracts into Vendata: The HPG Communications team enters any new Contracts into the HPG Vendata system.. The Communications team enters the vendor name, contract number, vendor number, contract description, contract start and end dates, types of fees (rebates and/or admin fees), etc.. If an existing contract has been renewed, then the Communications team updates the contract info in Vendata. Contracts amendments that involve changes to a vendor name, vendor number, or contract number are submitted to the Information Management Manager who updates Vendata. Contracts must be established in Vendata before rebate and admin fee data can be entered into RAFT. The Communications Coordinator initials the bottom of the Contract Analyst Package in the space indicated after entering/updating the contract in Vendata; the Coordinator then forwards the Contract Analyst Package to the applicable Financial Analyst involved with the contract.
- 28) Financial Analyst Team – Entering specific fee data in Vendata and RAFT: The applicable financial analyst enters detailed rebate and admin fee data (fee description, fee payment timing, etc.) into Vendata when they receive the Contract Analyst Package. Fee information from Vendata flows to RAFT at night; as a result, the Financial Analyst then enters the related fee projections into RAFT the following day (see APG #1 and #2 for policies and procedures related to rebates and admin fees). This information will be used by HPG to accrue and follow-up on rebates and admin fees over the life of the contract. The Financial Analyst initials the bottom of the Contract Analyst Package in the space indicated after entering/updating the contract in Vendata and RAFT; the Financial Analyst then forwards the Contract Analyst Package to the Administrative Assistant for the Contract Analyst Team for filing.

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 19 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

29) Contract Manager – Communication to HPG Members: Three general methods may be used to communicate new contracts and contract renewals to HPG’s membership. Note: Communications to HPG Members regardless of method selected is not made available to HPG Members until the applicable contracts are finalized and signed:

- a) **Launch Packages:** A **Launch Package** is a package of materials providing comprehensive information for a new contract offering. The launch package includes a cover sheet, contract summary sheet (provides top level vendor, contract and product data), schedule of product pricing, list of frequently asked questions and special policies (regarding returns, warranties, value added programs, etc. as applicable). A special communication is emailed to all HPG members whenever launch packages are issued; the email includes a link to HPG’s website (SCRUBS) where the launch package is available for viewing/printing. Launch packages are loaded in the “What’s New” area of SCRUBS until their effective date. After that, they are viewable in the “Launch Package” area of the CatScan e-catalog (located on SCRUBS). At the discretion of the Contract Manager and the applicable Advisory Board lead, hard copies of launch packages may be printed and mailed to each HPG member. Such printing is with the agreement of and at the expense of the Vendor. Contract Managers typically use launch packages to announce new products, complex agreements, or products/services offered by a new vendor. Launch Packages are not typically prepared for routine contract renewals or extensions. See **Exhibit V** for a sample Launch Package.
- b) **HPG Response** email communication: *HPG Response* is a weekly email communication sent to all HPG members every week which provides selected new contract announcements, issues noted with existing contracts (such as recalls, back-orders, etc.), and other HPG business communications (such as HPG conference information and contacts, etc.). Highly visible contracts will also be announced/discussed in both a launch package and the weekly HPG Response email communication. NOTE: With contracts that have involved critical advisory board involvement/evaluations, etc., the applicable advisory board lead may attach a brief Clinical Board Summary to the contract announcement and distribute this directly via email to the clinical membership via the established Clinical Advisory Board Communication Network.
- c) **Contract Summary** communication: A link to a **Contract Summary** report which provides an alphabetic listing of all new contracts, contract renewals, contract amendments, or other contract changes is sent to HPG members every two weeks in the *HPG Response* email. Included with the summary report are listings of all HPG National Agreements sorted by vendor and by description, and listings of contract item additions or deletions or item price changes (see **Exhibit U**). Renewals and extensions are typically addressed in both the *HPG Response* and the bi-weekly Contract Summary email communications.

The Contract Manager determines which member communication process should be used to notify members of new contracts and contract renewals depending on the type of product/service, complexity of the agreement and vendor (new vendor vs. current contracted vendor). The

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 20 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

Contract Manager communicates what type of communication is needed to the Communications Team, and the Contract Manager helps to pull the necessary information together for the Communications Team.

30) HPG Communications Team - Communication to HPG Members: The HPG Communications team prepares both the Contract Summary Report every two weeks, and the HPG Response email every week (see description of communications above). These communications are based on information provided by Contract Managers for new contract offerings and renewals and on data entered into the Vendata system. In addition, the HPG Communications team prepares Launch packages for all members with assistance from the Contract Manager.

31) Customer Service Team - Commitment Letters for Tiered Agreements (if applicable): Pricing tiers are established by vendors when multiple prices are available for the same contract item based on facility volume purchases. Physician Preference contracts are the most common contracts with pricing tiers – these contracts typically relate to high dollar cardio vascular supplies and orthopedic supplies. Facilities commit to a level of purchases with the contracted vendor to help ensure that they get a targeted tier of pricing; the higher they commit to purchase, the lower the line item pricing will be. To select pricing tiers, facilities complete standard vendor contract **Commitment Letters** (see **Exhibit Z**) that were developed by the vendor and applicable Contract Manager (see where discussed above). A link to the Commitment Letters is saved on the HPG website and sent to member facilities when the contract is announced to members. See above where contract communications to member facilities are discussed. Facilities are asked to download the letters, complete them and fax them to the HPG Customer Service Department by a specified due date. The Customer Service team logs the facility commitments and designated pricing tier selections for each applicable contract; this information is entered into the PCCS system. Customer Service sends reports showing facility selected price tiers that are sorted by Company to the applicable Company materials management associates for review. After all errors and issues are resolved, Customer Service sends the price tier selections to the Contract Analyst team to load into IMS. The Customer Service team also faxes the facility commitment letters to the applicable vendors; the letter is stamped with a date stamp to document this process. Stamped commitment letters are filed in Customer Service.

32) Contract Analyst Team – Facility Commitments Loaded into IMS (if applicable): Facility selected tiers are forwarded to the Contract Analyst team by HPG Customer Service. Pricing Tiers determine what pricing facilities will see on the HPG website. Facilities who do not meet the purchase volumes to which they committed to achieve will usually be billed at a price higher than their designated tier price. Invoices processed by these facilities will most likely be suspended from payment (pending resolution) in their AP systems due to pricing discrepancies. Pricing discrepancies are routinely communicated by facilities to the HPG Customer Service for research/follow-up with vendor.

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 21 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

33) Compliance Team – Vendors Notifying HPG of Significant Facility Purchasing Compliance Issues for Non Tiered Agreements: If contracted vendors note significant purchasing compliance issues with an HPG member or experience other significant issues, the vendor’s National Accounts Representative can complete an electronic **Compliance Form** (see example in **Exhibit P**) and submit it to the HPG for review. The Compliance Team will work with the Vendor and the applicable facility to resolve the submitted issues and discrepancies. The Compliance Team will involve the Contract Manager and/or applicable Clinical Advisory Board as needed during this process to provide information regarding the quality/clinical validation process that may have been completed for the product line in question. See **HPG.009** for detailed description of Compliance Resolution process.

34) Compliance Team – Vendors Notifying HPG of Significant Facility Purchasing Compliance Issues for Tiered Agreements: If contracted vendors note the facilities are purchasing less than the level at which the facility committed via their signed Commitment Letter (see **Exhibit Z**), the vendor’s National Accounts Representative can send an email to the HPG Compliance Team email box [HPGCUTT@healthtrustpg.com]. The Compliance Team will work with the Vendor and the applicable facility to resolve the submitted issues and discrepancies within 30 days of receipt of the communication from the vendor. The Compliance Team will involve the Contract Manager as needed during this process. See **HPG.009** for detailed description of Compliance Resolution process.

STRATEGIC SOURCING CONTRACTS:

35) Given the nature of the Strategic Sourcing program, the contracting process is typically dictated by the member or group as to the actual steps taken towards contract completion. As a general rule, the following steps are completed with direction and oversight from HPG Strategic Sourcing services, the Strategic Sourcing Specialist assigned to the project and any applicable HPG teams including the Financial Analyst Team. Strategic Sourcing can be unique for every group or division. As a result, there may be exceptions to any of the steps described included in the process below. Currently, the primary areas of Strategic Sourcing opportunities exist in orthopedics and cardiovascular and any other medical device implant area.

- a) Identification of Opportunity – This may be initiated by the member group or division or by HPG.
- b) Opportunity Assessment and Data Collection – This involves the collection of baseline data including products purchased, procedural data, vendor market share and other relevant data elements. Data collection can involve accessing Enterprise Data Warehouse (EDW) for those members that utilize IMS and SMART or may be provided by the member group or division through access of their own purchasing systems. Once the baseline data is collected the Strategic Sourcing Specialist in conjunction with the AVP of Medical Device Contracted reviews all necessary data to determine the viable opportunities for a strategic sourcing

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 22 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

<p>contract.</p> <p>c) Review of Baseline Data and Opportunities – This includes the Strategic Sourcing Specialist (and in some cases the AVP) reviewing the baseline data and related findings with the member group or division as well as presenting the various contracting options recognized for the member group or division to pursue.</p> <p>d) Consensus of Contracting Options and Review of Next Steps – Through the Review of Baseline Data and Opportunities, the Strategic Sourcing Specialist works with the identified member group or division representatives (which usually includes division or group senior leadership, designated operations teams, clinical and surgeon committees, and financial representatives) to gain consensus on those contracting options that will be pursued. A timeline and next steps are identified and detailed out with input from the member group or division representatives.</p> <p>e) Surgeon/Clinical Buy-In and Preliminary Roll Out – This involves the Strategic Sourcing Specialist and AVP assisting the member group or division in establishing a comprehensive meeting with all applicable surgeons and clinicians to review the baseline data, opportunities, goals and objectives of the strategic sourcing initiative. Given the nature of medical devices, buy-in from the surgeons and clinicians is critical to the overall success of any strategic sourcing effort so particular attention is given to this initial roll out. Surgeons and clinicians are given the opportunity to provide feedback, ask questions, and ultimately assist in establishing the various and viable contracting options.</p> <p>f) Supplier Engagement – Once the member group or division has established the potential contracting options, the Strategic Sourcing Specialist prepares an engagement letter which outlines all the specific proposal requirements and scenarios. This letter is then sent to all identified supplier participants with a deadline for responses.</p> <p>g) Financial Analysis – Upon receipt of the supplier’s response to the engagement letter, the Strategic Sourcing Specialist works with the designated member group or division representatives as well as the assigned Financial Analyst to perform the necessary assessment of each supplier’s response. The analysis process performed is similar to that which is identified in section IH.</p> <p>h) Review of Financial Analysis – The Strategic Sourcing Specialist reviews all the preliminary financial analyses with the designated member group or division representatives and detailed feedback is accumulated for the negotiation process.</p> <p>i) Supplier Negotiations – The Strategic Sourcing Specialist (and designated member group or division representatives if applicable) engage the suppliers to finalize all outstanding points. This process goes back and forth and can involve multiple conference calls, meetings and email correspondence until all parties agree.</p> <p>j) Member Group or Division Approval – This involves the member group or division including division or group senior leadership, designated operations teams, clinical and surgeon committees, and financial representatives, approving the final strategy and all points negotiated.</p>
--

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 23 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

- k) Document and Communication Finalization – The Strategic Sourcing Specialist works with the selected supplier(s) to finalize all contract documents and prepares the contract agreement using HPG’s standard contract template for strategic sourcing. Communication documents, emails, and other correspondence mediums are coordinated and prepared by the Strategic Sourcing Specialist in conjunction with the member group or division designated representatives.
- l) Final Roll Out – This involves the Strategic Sourcing Specialist and AVP assisting the member group or division in establishing a final comprehensive meeting with all applicable surgeons, clinicians and facility leadership to review the contract details, available communications and contacts. In addition, the Final Roll Out allows an extensive opportunity for questions and answers to ensure all involved have a complete understanding of program expectations, eligibility requirements (if any) and an other required information.
- m) Contract Signing – All strategic sourcing contracts require the signature of the designated member group or division designee as well as the supplier and HPG. A contract package similar to that which is identified in section IU is prepared for final signature from the VP of National Agreements.
- n) Implementation and Monitoring – The Strategic Sourcing Specialist works with the member group or division and selected supplier(s) to establish an implementation plan and assists in setting up the necessary communications, schedules and monitoring requirements as identified by the member group or division and the selected suppliers.

PACT (Purchasing Alliance for Clinical Therapeutics) PURCHASING AGREEMENTS

36) Depending on the product category, there may be the need for the PACT product pricing to be available through HPG's Med/Surg Distributors. In this case, HPG's AVP of Pharmacy Services will obtain the specific PACT Agreement and price file from PACT. The appropriate Contract Manager will initiate the process in Upside to obtain a HPG contract number and create the Contract Summary Sheet. In addition, the Contract Manager will attach the PACT Agreement and price file into Upside. The effective date and expiration date in Upside will correspond with the PACT Agreement dates. The contract will be processed via Upside's current amendment workflow. PACT is responsible for providing prior notice of any price file changes (e.g. price changes, catalog number changes, etc) to HPG. Any changes communicated by PACT to HPG will be initiated in Upside.

REFERENCES:

- HPG Accounting Policy Guide #2**
- HPG Accounting Policy Guide #3**
- HPG.009 Facility Compliance Resolution Process**

NOTE:

TITLE: Contracting Process	POLICY DESCRIPTION: Contracting Process for New Contracts, Contract Renewals and Contract Amendments
PAGE: 24 of 24	TYPE: National Agreements
EFFECTIVE DATE: September 12, 2005	REFERENCE NUMBER: HPG.008

A copy of this policy will be maintained on the HPG public website. Many of the Exhibits referenced by this policy provide examples of internal communications which may include confidential vendor pricing information. As a result, copies of the Exhibits referenced by this policy will not be available on HPG's website [healthtrustpg.com]. If you are a contracted vendor with HPG, please contact your applicable HPG Contract Manager if you have questions about an Exhibit referenced in this process. If you are a bidder and have a question related to the process, please first complete and submit the on-line **Prospective Vendor Request Form** located under the "Supplier" tab of the website.