

GROUP PURCHASING CODE OF CONDUCT

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Group Purchasing Credo

In providing group purchasing services, Premier serves first the interests of member hospitals and health systems and, through them, the patients and communities they serve. Foremost among those interests shall be good clinical outcomes for patients and cost-effectiveness in care processes and utilization of resources such as supplies, pharmaceuticals and equipment. In so serving, Premier acts ethically, accountably and fairly with respect to all participants in the healthcare marketplace.

GENERAL ETHICS POLICIES

1.a. Commitment to its Members and to the Goals of Quality Medical Care and Cost Containment

Premier GPO acts first and foremost as a representative of their Member organizations and health care providers, and pursues two primary goals-quality medical care and cost control.

1.b. Code of Conduct

Premier GPO will maintain a comprehensive code of conduct including the Healthcare Group Purchasing Industry Initiative (HGPII) code, Premier Additional Commitments, Best Ethical Standards for the Group Purchasing Industry and other common ethical policies.¹

1.c. Premier GPO Shall Comply with Applicable Laws

Premier GPO shall stay abreast of changes and new developments in the law and provide compliance guidance and education regarding applicable laws for directors, officers and employees.

¹ Other ethical policies common to all companies include adherence to all applicable laws, business relationships with companies other than Vendors, outside employment by employees, the protection of confidential and proprietary information, the protection of company assets, respect for copyright, accurate accounting and financial reporting, fair competition toward competitors, policies addressing industrial espionage and sexual harassment, and a commitment to diversity programs in hiring and promotion.

CONFLICT OF INTEREST PROVISIONS

PARENT COMPANY-CONFLICT OF INTEREST

2.a. Follow Conflict of Interest Requirements

All management employees of Premier and any other employees in a position to influence the contracting process should follow the same conflict of interest requirements which guide employees of the Premier GPO themselves. Similarly, non-employee directors, officers and advisors of Premier should follow the same requirements as they would if they directly served the Premier GPO.

EMPLOYEES OF PREMIER ENTITIES

3.a. No Gifts to Employees

No employee² of Premier or any Premier Entity should accept gifts, entertainment, favors, honoraria or personal services payments, other than of Nominal Value, from any Participating Vendor.

3.b. No Equity Ownership by Employees

No employee² of Premier or any Premier Entity should own equity in any Participating Vendor.^{3 4}

3.c. Insider Trading

All employees, non-employee directors, officers and advisors of Premier must comply with Premier's Insider Trading Policy.

DIRECTORS AND OFFICERS

4.a. No Gifts to Directors and Officers Who Can Influence Contracting

No director or officer of Premier or any Premier Entity who is in a position to influence Premier GPO contracting decisions should accept any gift, entertainment, favor, honoraria or personal services payment (except of Nominal Value) from any Participating Vendor.

4.b. Directors and Officers to Recuse Themselves if They Have Received Gifts

Directors and officers of Premier or any Premier Entity who are in a position to influence Premier GPO contracting decisions should recuse themselves from any negotiations or decisions relating to a Vendor from whom they have received such items.

4.c. Disclosure by Directors and Officers of Equity Interests

Directors and officers of Premier or any Premier Entity who are in a position to influence Premier GPO contracting decisions are required to disclose any equity interests in any Participating Vendor.

4.d. Directors and Officers to Recuse Themselves if They Have Equity Interests

Directors and officers of Premier or any Premier Entity who are in a position to influence Premier GPO contracting decisions and have such equity ownership are required to recuse themselves from any negotiations or decisions relating to that Vendor.

ADVISORS ON PREMIER GPO MEMBER AND SPECIAL COMMITTEES

5.a. No Gifts to Advisors Who Can Influence Contracting

No advisor of a Premier GPO who is in a position to influence Premier GPO contracting decisions should accept any gift, entertainment, favor, honoraria or personal services payment (except of Nominal Value) from any Participating Vendors in the area in which they advise.^{5 6}

² Prohibitions such as 3(a) and 3(b) apply to immediate family members (spouse and dependents) of employees as well as the employees themselves. In some cases, exceptions may be granted if spouses of employees are employed by Participating Vendors and stock ownership is incidental to that employment. Any such exception must be approved by the Chief Ethics & Compliance Officer. If an exception is granted, the employee must disclose the spouse's equity interest and not participate in any negotiations or decisions relating to the company in which the spouse owns equity. Spouses and dependents of such employees may maintain equity holdings in Participating Vendors with a value of up to \$25,000 per Participating Vendor provided such holdings are fully disclosed to Premier by the employee. This exception applies to the equity holdings of spouses and dependents of all employees.

³ This provision excludes equities owned in mutual funds over which the individual exercises no investment control and in blind trusts.

⁴ New employees who come to Premier or any Premier Entity with substantial deferred compensation in the form of equity in Participating Vendors which cannot be liquidated without a substantial loss of value may retain that interest, must disclose it to the company and recuse themselves from any decisions involving the Participating Vendor in which they hold the interest.

⁵ This provision and 5(e) apply to advisors who serve on standing committees providing advice to the GPO. The GPO may occasionally use other Subject Matter Experts on a one-time or rotating basis in focus groups or other informal settings. These clinicians provide input to standing sourcing committees that vote and advise the GPO. Provided that such a Subject Matter Expert discloses all gifts, entertainment, or compensation from a Participating Vendor and any equity held in such a Vendor, they may serve as an informal advisor. However, their conflicts of interest must be disclosed every time their advice is communicated to decision-making committees or individuals.

⁶ Prohibitions 5(a) through (e) apply to immediate family members (spouse and dependents) of committee members as well as the committee members themselves.

5.b. Advisors to Recuse Themselves if They Have Received Gifts

Advisors who are in a position to influence Premier GPO contracting decisions should recuse themselves from any negotiations or decisions relating to a Vendor from whom they have received such items.

5.c. Disclosure by Advisors of Equity Interests

Advisors who are in a position to influence Premier GPO contracting decisions should be required to disclose any equity interests in any Participating Vendor.

5.d. Advisors to Recuse Themselves if They Have Equity Interests

Advisors who are in a position to influence Premier GPO contracting decisions and have such equity ownership should be required to recuse themselves from any negotiations or decisions relating to that Vendor.

5.e. No Advisors with Extensive Equity Interests

No advisor who is in a position to influence Premier GPO contracting decisions shall serve as advisor in an area in which they hold extensive equity interests.⁷

CORPORATE EQUITY INTERESTS

6.a. Limitation of Equity Investment by Premier GPO in Vendors

Except in the case of an owned or controlled entity, Premier GPO should not hold a Corporate equity Interest in any participating vendor, unless the acquisition of the equity interest demonstrably benefits a Premier GPO member. Further, Board approval should be required for such investment.

6.b. Disclosure of Equity Investments in Vendors

Any Corporate Equity Interest in any current or potential Participating Vendor should be fully disclosed to Premier GPO Members and publicly disclosed on the company website. Such disclosure should be made (a) at the time the Corporate Equity Interest is obtained if the Premier GPO already has a contract with the Vendor or (b) at the time the Premier GPO enters into a contract with the Vendor if the Premier GPO does not already have a contract with the Vendor, and in each case, at least annually thereafter.

6.c. No Commitments Permitted If Premier GPO Has Equity Investment

Premier GPO should not impose an obligation, commitment or other requirement that in any way obligates a Member to purchase goods or services from such a Participating Vendor in which a Premier GPO has an equity investment.

OTHER BUSINESS RELATIONSHIPS WITH VENDORS

7.a. Limitation on Other Business Relationships with Vendors

Premier GPO should not have other business relationships with Participating Vendors unless those relationships are necessary to achieve core GPO goals. (This does not include the purchase of goods and services that are utilized by the organization to carry out its general business operations so long as the terms of the arrangement reflect fair market value for the goods and services being purchased.) Such relationships shall be disclosed to Members, fees will be reasonably related to the value received, and Vendor participation shall have no bearing on GPO contracting decisions. Vendor participation in any additional services for which fees may be charged (such as trade shows, periodical advertising and data analytics) shall be entirely voluntary and a Vendor's participation shall have no bearing on GPO contracting decisions.

PREMIER SUBSIDIARIES

8.a. Directors and Advisors to Non-GPO Subsidiaries of Premier

All employees and non-employee directors, officers and advisors of a non-GPO subsidiary controlled by Premier who are in a position to influence the contracting process should follow the same conflict of interest rules established separately for employees, directors and advisors of the Premier GPO.

8.b. Non-GPO Subsidiaries of Parent Company Limitation on Equity Investments

No non-GPO subsidiary should hold a Corporate Equity Interest in any Participating Vendor, unless the acquisition of the equity interest demonstrably benefits the Premier GPO Members by creating a source of a product or service where there is no other source, or very limited sources. Further, Board approval should be required for any such investment.

⁷ "Extensive" means investments in three (3) or more Participating Vendors in the general product area of the committee or investments in Participating Vendors in such product area that in the aggregate have a total value in excess of \$20,000.

8.c. Non-GPO Subsidiaries of Parent Company Limitation on Business Activities

A non-GPO subsidiary may have business relationships with Participating Vendors, but these relationships must be disclosed to Members and must not influence contracting decisions. It is impossible to anticipate the many types of business relationships which may be developed in the future. The Chief Ethics & Compliance Officer and the Board must examine such relationships on an ongoing basis to insure that there is no influence on contracting decisions.⁸

MEMBER RELATIONS, PRODUCT EVALUATION AND VENDOR GRIEVANCES

9.a. Right to Communicate Directly with Vendors

Premier GPO should permit Members to communicate directly with all Vendors and to assess products or services provided by all Vendors.

9.b. Right to Purchase Clinical Preference Items off Contract

Premier GPO should permit Members to purchase clinical preference items directly from Vendors who do not contract with the GPO.

9.c. Notice of Pending Bidding Processes

Premier GPO should implement a contracting process that informs potential Vendors of the process for seeking and obtaining contracts and provides interested Vendors the opportunity to solicit contracts. Upcoming contracting processes should be listed on a publicly available website. (Updates which do not extend existing contracts do not require advanced notice.)

9.d. Statement of Vendor Rights and Responsibilities

Premier GPO should adopt and make available a statement of the rights and responsibilities of bidders and Vendors.

9.e. Notice to Vendors of Ethical Standards

Premier GPO should inform all Vendors and prospective Vendors of the ethical standards and practices of the Premier GPO and seek the Vendors' adherence to the same standards.

9.f. Fair Technology Evaluation Process

Premier GPO should conduct technology assessments in a fair, timely, confidential and unbiased manner, with an opportunity for review of decisions by Vendors whose products or services are evaluated. The GPO should provide an opportunity for all Members to have input to the technology assessment process.

9.g. Technology Breakthrough Procedures

Premier GPO should operate a breakthrough technology evaluation process in a fair, timely, confidential and unbiased manner, with an opportunity for review of decisions by Vendors whose products or services are evaluated. All contracts should include a clause permitting cancellation or the addition of new contracts in a category if breakthroughs are verified.

9.h. Vendor Grievance Procedures

Premier GPO should adopt policies and procedures which endeavor to address Vendor grievances related to access for innovative Clinical Products or Services. Premier GPO will maintain a bidder and Vendor grievance process actively disclosed to prospective and Participating Vendors.

USE OF CONTRACTING TOOLS

10.a. At Goals of Contracting

Premier GPO's policies and procedures should state and promote contracting arrangements that achieve both a high quality of medical care and competitive pricing. Premier GPO should use contracting tools either alone or in combination only in contracting arrangements that achieve these goals. These goals are most important in relation to Clinical and Physician Preference Products or Services.

10.b. Physician Preference Sole-Source Contracts⁹

Except in the case for Premier Performance Groups, Premier GPO sole-source contracts for Physician Preference Products and Services¹⁰ require review and approval by senior management, ethics & compliance and legal.

⁸ This provision permits other business relationships, such as the sale of products or services to Participating Vendors by a non-GPO subsidiary for standard prices. Other relationships, where doing business with a non-GPO subsidiary gives a Participating Vendor an advantage in contracting decisions, would be unacceptable. The goal of this provision is to create a continuing scrutiny of such relationships to ensure that they do not influence contracting decisions.

⁹ Contracts should be written consistent with these standards. If existing contracts are substantially amended, however, these standards should be incorporated.

¹⁰ Products and services which fit this category [in practices 10(b) through (e)] are to be identified by the individual Premier Member Advisory Committees. The category includes those items in which the choice of particular products or services by individual physicians or other clinicians are determined by the Premier Member Advisory Committees to be strongly related to patient outcomes. This includes many, but not all, "Physician Preference Items" and some "Clinical Preference Items."

10.c. Limitation on Commitment Levels

All Premier GPO contracts for Physician Preference Products should be written without GPO-imposed commitment levels.

10.d. No Bundling of Unrelated Products

No Premier GPO contracts should have bundling of Physician Preference Products with unrelated products.

10.e. No Bundling of Unrelated Products Across Vendors

No Premier GPO contracts should have bundling of any unrelated products across different Vendors.

10.f. General Limitation of Contracts to 3 Years

Premier GPO contracts should be for 3 years or less, unless economic conditions require longer term agreements in the best interest of Members.¹¹

10.g. Standardization of Administrative Fees

Administrative fees should be standardized for each bid process and product or service category, and stated in advance to all bidders in that category, unless economic conditions require a differing structure in the best interest of members.^{12,13}

10.h. No Up-Front Administrative Fees

No Premier GPO contract should charge up-front administrative fees from Participating Vendors.

10.i. No Administrative Fees in the Form of Vendor Equity

No Premier GPO contract should permit administrative fees to be paid in the form of Vendor equity.

10.j. No Marketing or Other Fees from Vendors

Premier GPO should not receive marketing fees from Participating Vendors.

COMPLIANCE, CERTIFICATION AND IMPLEMENTATION

11.a. Designated Chief Ethics & Compliance Officer

Premier GPO should appoint or designate a member of the executive team to be lead ethics advocate, to raise policy and strategic issues of ethical significance with the management and the Board, to oversee compliance with these Ethical Standards and other ethics commitments, to provide annual reporting, and to raise other policy issues of ethical significance with management and the Board.¹⁴

11.b. Annual Compliance Report

Premier GPO should provide an annual compliance report to the Audit and Compliance Committee, Board and Members regarding the Ethics & Compliance Program. A summary of the report should be made available to the public.

11.c. Review by Audit and Compliance Committee

The Audit and Compliance Committee of Premier should meet at least annually without management present to hear from the Chief Ethics & Compliance Officer and to discuss any issues brought forward by this officer.

11.d. Implementation, Transition and Updating

Premier GPO shall adopt a transition plan supervised by the Chief Ethics & Compliance Officer in keeping with conflict of interest principles. Premier GPO shall seek regular, periodic and timely disclosure of conflicts by directors, officers, employees and advisors.

11.e. Respond to Changes in HGPII Code

HGPII shall assess and update the industry Code of Conduct principles consistent with newly identified best practices and as business practices change to ensure that the goals of avoiding conflicts of interest and promoting competition continue to be achieved. Premier GPO will respond to changes and updates to the industry Code of Conduct as HGPII seeks best practices.

¹¹ It is anticipated that there will be few exceptions to the 3 year limitation and that exceptions will be approved by senior management and reported to the board of directors at the next board meeting.

¹² In branded pharmaceuticals, the Premier GPO strategy is to provide clinicians with maximum choice of branded pharmaceuticals by attempting to place all branded pharmaceuticals on contract. These contracts are written by manufacturer rather than by therapeutic class. In order to put all branded pharmaceuticals on contract, it has been necessary to negotiate individual administrative fee arrangements with each Vendor. This practice is reasonable for the present, as long as administrative fees are standardized for 1) all generic pharmaceuticals and 2) branded pharmaceuticals which have generic equivalents.

¹³ It is anticipated that there will be few exceptions to the standard administrative fee and that exceptions will be approved by senior management.

¹⁴ One of the most important tasks of the designated Chief Ethics & Compliance Officer is to create a vehicle by which employees, Members and Vendors may communicate regarding violations of the GPO's ethical practices, or to request interpretations of those practices. Premier has selected NAVEX Global, an employer communications group, to establish a confidential hotline. Employees should report any known or suspected ethics or compliance violations through the Ethics and Compliance Help Center at www.premierinc.ethicspoint.com or 1.866.294.3701.

REPORTING AND EDUCATION

12.a. Cooperation with Cost Studies

Premier GPO should support authoritative surveys and studies on the value of GPOs and to disclose these studies to the public.

12.b. Web-Based Vendor Directory

In order to foster innovation, HGPII, with the support of its GPO Members, shall make available a web-based directory where Vendors can post product information, including information about products that the Vendors consider to be new and innovative.

12.c. Educational Programs

HGPII shall coordinate the development and implementation of industry-wide educational programs focusing on new developments related to clinical innovations, contracting processes and programs, patient safety, public policy, statutory and regulatory requirements and best practices regarding compliance and Code of Conduct principles. As part of this process, the industry will draw upon representatives of GPOs and any Vendors to promote processes and programs to ensure availability of new and innovative products to Members through the GPO contracting process.

DISCLOSURE OF VENDOR PAYMENTS

13.a. Written Agreement

Premier GPO shall have a written agreement with each Member or Member's agent that authorizes the Premier GPO to act as a purchasing agent to negotiate contracts with Vendors to furnish goods or services to each Member.

13.b. Disclosure of Acceptance of Payments

Premier GPO shall 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.

13.c. Disclosure of Payments Related to Purchases

Premier GPs shall annually report, or cause to be reported, to each Member or Member's agent the amount of all Vendor Payments received with respect to purchases made by or on behalf of the Member.

13.d. Disclosure of Vendor Payments

Premier GPO should make full disclosure to GPO Members of all Vendor Payments to the Premier GPO, whether allocable to a specific Member or not.

13.e. Annual Financial Reporting

Premier GPO should prepare and distribute to all shareholders, Members and the public a quarterly and annual financial report.

13.f. Disclosure of Contracts to Members

Detailed data on existing contracts and on current contracting processes shall be readily available to Members, including administrative fees paid for each contract.

13.g. Disclosure of Contracts to the Public

General data on existing contracts, specifying Vendors and general categories of products on contracts from those Vendors, will be made readily available to the public.

SAFETY, COST-REDUCTION AND CLINICAL COMPARABILITY

14.a. Safety, Cost-Reduction and Clinical Comparability

Premier shall support programs and processes, such as displaying Universal Product Number ("UPN") or machine-readable bar codes at the unit-of-use level, or other programs and processes that provide for clinical comparability and improve and promote patient safety and supply-chain cost reduction.

DIVERSITY

15.a. Premier GPO should offer or participate in programs that promote diversity to include minority, women, veteran and small business Vendors.

DEFINITIONS

"Clinical Preference Products or Services" shall mean those Clinical Products or Services which require substantial training to learn to use and which have a demonstrable effect on patient care outcomes. Accordingly, they are products or services for which a provider has a particular preference based on factors such as the provider's training and experience, the performance or functionality of such products in a clinical setting and patient clinical outcomes.

"Clinical Products or Services" shall mean products or services used by providers directly in the provision of health care services to patients.

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

“GPO” shall mean any entity that as all or part of its business activities is authorized to act as the agent of a provider of health care services to enter into contracts with Vendors (“vendor contracts”), pursuant to which Vendors agree to sell or furnish goods or services consistent with the terms set forth in the Vendor contracts. GPOs do not typically take title to products.

“Individual Equity Interest” shall mean securities, options, warrants, debt instruments (including loans) or rights to acquire any of foregoing, provided, however that the term shall not include: (a) interest in 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 the neutrality of the GPO contracting decisions are protected.

“Members” shall mean any provider that has an agreement (directly or through an authorized agent) which authorizes the GPO to act as the provider’s purchasing agent to negotiate contracts with Vendor to furnish goods or services to the provider.

“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. Any item, service or other thing of value that costs \$10 or less shall not be counted toward the \$100 annual limit.

“Participating Vendor” shall mean, with respect to a particular GPO, a Vendor that has a contract or submits a formal bid or offer to contract with such GPO to provide goods or services to the GPO’s Members.

“Payments” shall mean all Payments by a Vendor of goods or services to a GPO as part of any agreement to furnish goods or services to Members.

“Physician Preference Products” cover those areas where physicians have a strong preference and a significant influence regarding the type of product used. Premier Member Sourcing Committees will make the determination as to whether a particular product is a Physician Preference Product. Such committees are composed exclusively of Member representatives.

“Premier Entity” any entity controlled by Premier, Inc., or a wholly owned subsidiary of Premier, Inc.

“Premier GPO” is the group purchasing organization operated by Premier Healthcare Alliance, L.P.

“Premier Performance Groups” are typically a group of philosophically aligned members that have come together to achieve better contract pricing/terms by standardizing on a vendor in a given product category. These groups demonstrate certain behaviors to vendors in terms of volume and compliance which they in turn translate into value for those members.

“Subject Matter Experts” are clinicians that the Premier GPO may occasionally use on a one–time or rotating basis in focus groups or other informal settings. These clinicians provide input to member sourcing committees that vote and advise the GPO.

“Vendors” shall mean manufacturers, distributors, suppliers or other entities that sell goods or services to Members.



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