



**HEALTH INDUSTRY GROUP
PURCHASING ASSOCIATION**

Welcomes you to the

2006
NATIONAL
Pharmacy
FORUM

February 13-15, 2006
Ritz-Carlton Huntington Hotel
Pasadena, California



Session Descriptions & Speaker Biographies

Bronze Sponsors



Navigating the Impact of Change – Medicare Modernization Act

A full morning of sessions with topical discussions including the impact of implementing the MMA for hospitals, a CMS update, Medicare reimbursement, and the potential impact on the future of pharmaceutical purchasing.

Part III – The Impact of Reimbursement Changes on Pricing Behavior

Lance Piccoro will provide an overview of reimbursement changes for Part B drugs that have resulted from the Medicare Modernization Act of 2003. Average Sales Price (ASP) methodology, competitive acquisition program and the oncology demonstration project also will be discussed as well as a focus on the hospital outpatient prospective payment system changes for 2006.

Deborah Walter will address 2006 Medicare budget cuts to hospital outpatient departments. These reductions to outpatient cancer services question whether outpatient departments will remain a viable source of cancer and drug therapy. Under Medicare's prior reimbursement methodology, hospital outpatient rates were intended to cover both acquisition and handling costs. In 2006, Medicare outpatient prospective payment system rates are based on drugs' acquisition cost. The handling costs have been removed under this new system and payment rates may not be sufficient to compensate hospitals for these costs. Hospitals looking for reimbursement cost-effective strategies may hinder their decision to provide increasingly expensive therapies. This session will help you to understand the key provisions in the 2006 final HOPD rule, the impact of the reimbursement cuts on hospitals, the importance of HOPD payments to pharmacy service departments and its potential impact on the hospital and business line, and potential options available to set more appropriate reimbursement rates for drugs and biologicals.

Patrick McKercher will discuss lessons from previous efforts to provide prescription drug benefits. This discussion includes the Prescription Drug Task Force's approach to reimbursement. The approach, consisting of high volume and relatively low-priced benefits with administrative costs exceeds the cost of the pharmaceutical product. The \$1 co-pay was expected to eliminate nearly half of prescription drug claims because total cost was lower for many prescriptions. Generic drug legislation and maximum allowable costs programs implemented into state Medicaid programs were called for by the task force. This session will cover these changes and future changes to come.

Tuesday, February 14, 2006

11:15 a.m. – 12:30 p.m.

Salon III

Speakers:

Lance Piccoro, PharmD, MSPH Senior Manager, Access and Reimbursement, Amgen
Deborah Walter, Senior Director, Policy & Government Affairs, Association of
Community Cancer Centers (ACCC)

Patrick McKercher, Director, Pharmaceutical Policy Research Center for Drugs and
Public Policy, University of Maryland

The Influence of Generics in the Healthcare Marketplace

James Hoffman will review the recent trends in prescription drug expenditures and generic drugs' influence on these trends. He will describe the potential for generic drugs to further decrease prescription drug expenditures. Trends relevant to the availability and pricing of generic drugs, particularly patent reform and industry consolidation also will be discussed.

Heidi Wagner will address the biotechnology industry's perspective on the scientific and legal issues involved in developing an approval pathway for generic biopharmaceuticals (or "follow-on biologics"). With a vast market potential for generic biologics, there are likely to be many heated debates in the future regarding the FDA's draft guidance, good science, policies, and patent expirations.

Wednesday, February 15, 2006

9:55 a.m. – 11:30 a.m.

Salon III

Speakers:

James Hoffman, PharmD, MS Medication Outcomes Coordinator, St. Jude Children's Research Hospital

Heidi Wagner, Esq. Senior Director of Government Affairs, Genentech

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Speaker Biographies

The opinions expressed by the assembled speakers do not necessarily represent the views of the Health Industry Group Purchasing Association or the views of any of the sponsoring organizations, their employees or their management.

Thomas Clark

Thomas R. Clark, RPh, MHS, is Director of Policy and Advocacy for the American Society of Consultant Pharmacists. He has worked for ASCP since 1994, serving as Director of Professional Affairs from 1994–2003. ASCP is an international professional association representing senior care pharmacists and providing leadership, education, advocacy, and resources to advance the practice of senior care pharmacy. Clark is the editor of the *Medication Guide for the Long-Term Care Nurse*, the *100% Immunization Campaign Resource Manual*, *ASCP's Nursing Home Survey Procedures and Interpretive Guidelines* book, and the *ASCP Standards of Practice* book. He is a frequent speaker at state and national pharmacy and long-term care meetings and also represents ASCP on a variety of coalitions. Prior to coming to ASCP, he was a Vice President of Consulting for a major long-term care pharmacy company. He has worked in hospital, ambulatory and long-term care pharmacy. Clark is a graduate of the University of Illinois College of Pharmacy and has a master's degree in Health Care Administration from Mississippi College.

Diana Conmy

Diana Conmy's 15-year tenure at IMS Health has been marked by a long list of achievement awards for her consultation with many types of pharmaceutical clients and her keen understanding of their sales, marketing and support functions. Her account management experience all comes to bear on her current position as Corporate Director of Market Insights.

Conmy develops and delivers IMS' Strategic Management Reviews, presentations that provide insight on key trends in the U.S. and global markets based on IMS information sources and industry intelligence. Conmy thus represents IMS from the podium at many executive meetings and delivers the "added value" of IMS' broad industry perspective.

Previously, Conmy led the account and service team, as Senior Account Director, dedicated to supporting a major pharmaceutical company, after having first served as that client's on-site consultative support. In earlier account management positions, Conmy was responsible for providing market research and managed care information services to a broad array of clients.

Prior to joining IMS Health, Conmy was involved in the acquisition and start-up of a new business venture for the DuPont Company in its Electronic Imaging Department. Her titles there included commission specialist, account manager and sales coordinator. Conmy also worked as an account manager in NCR Corporation's retail division where she marketed personal computers to large retail customers.

Conmy holds a B.S. degree in Marketing and a minor in Psychology from the Pennsylvania State University School of Business and has studied at Sophia University in Tokyo.

Frederick Dettmann

Dr. Dettmann graduated from Marquette University School of Medicine (now the Medical College of Wisconsin) and served in Residency at the University of Washington as well as the Ohio State University, where he undertook specialized training in Gynecologic Oncology. During his tour of duty in the USAF, he was Chief of Service, Chief of Professional Services, Deputy Hospital Commander, and Deputy Chief Medical Officer of 28th USAF. He maintained an active medical practice for 28 years, holding five teaching appointments in two Medical Schools.

Dr. Dettmann participated in the creation of an IPO model Managed Care Organization and served as Medical Director and Board Officer. He has also served as the Medical Director of the Foundation for Medical Care Evaluation, the Wisconsin Peer Review Organization (now MediStar/WIPRO) and several other regional organizations. He has been elected to national office, serving on the boards of AMPRA, AQRA, ACURP, and others as well as numerous national task forces and Federal Work Groups. He directed the development of the Uniform Clinical Data Set, used throughout the country for the evaluation of chronic diseases.

Currently, Dr. Dettmann maintains an active consulting enterprise, creating data systems to track quality and utilization issues in medical clinics, governmental organizations and other diverse venues.

Lucy Deus

Lucy Deus works with customers to help them develop their supply chain security strategies. Drawing on her deep knowledge of the state and federal regulatory requirements of prescription drug pedigree and electronic records security and management, she helps customers identify options and recommendations best suited to the technical, operational and business needs of each facility. She helps state and federal regulators understand the capabilities, options and implications of the latest technologies to achieve a safe and secure pharmaceutical supply chain.

A 15-year technology leader, Deus directed the development of globally distributed business applications for Seagate Technologies and Morgan Stanley. Defining industry standards at The MITRE Corporation, she helped solve the Intelligence Community's information technology needs.

Teri Guidi

Teri Guidi is the President and CEO of Oncology Management Consulting Group. With more than 20 years experience in oncology management, Guidi is an expert in the areas of strategic planning, reimbursement, program development, and market assessment. She has worked with health networks, hospitals, private practices, and the pharmaceutical industry. Recent projects have included strategic and business planning, joint venture development, charge master reviews, educational programs, and billing audits. She has held positions at institutions ranging from NCI-designated comprehensive cancer centers to large teaching hospitals in integrated health systems to small community hospitals. Guidi has served as Executive Director and System Vice President of cancer service lines and as Vice President of a health system-owned medical oncology practice. Her experience spans all areas of outpatient oncology including infusion services, radiation oncology, clinical trials, and tumor registry. Among her major areas of interest are financial analysis and profitability reporting.

Guidi is a frequent speaker at national and regional professional conferences, with numerous publications on a wide variety of oncology-related topics. She serves on the Editorial Boards of *Oncology Issues* and *Hematology Oncology News and Issues (HONI)*, on several professional society committees, and served two terms on the American College of Surgeons Commission on Cancer. She received her master's degree in Business Administration from the Carroll School of Management at Boston College in 1995 and earned Fellowship in the American Academy of Medical Administrators in 1999.

Ron Hartmann

As Vice President of Pharmacy for MedAssets Supply Chain Systems, Dr. Ron Hartmann is responsible for the overall vision and direction of the Pharmacy Program. He earned a bachelor's degree in Biology from the University of California, Irvine (1978) and his Doctor of Pharmacy from the University of Southern California (1982). He completed a Clinical Pharmacy Residency in General Medicine in Philadelphia, PA through the Philadelphia College of Pharmacy and Sciences and the Hospital of the University of Pennsylvania (1983). Following his Residency, Dr. Hartmann moved to the Washington, DC area, spending the next ten years in a number of clinical and management positions at the Washington Hospital Center.

Dr. Hartmann joined St. John's Mercy Medical Center and the Sisters of Mercy Health System in St. Louis in 1993. For six years, Dr. Hartmann served in a number of capacities, mainly as Director of Pharmacy, in the Pharmacy Department at St. John's. At the same time, he served as a member of HSCA's Pharmacy Advisory Committee. In 1999, he became Corporate Director of Pharmacy for Unity Health, a six-hospital integrated health system within the Sisters of Mercy Health System. He became Vice President of Pharmacy for MedAssets following MedAssets' acquisition of HSCA in May 2001. He was asked to Chair HIGPA's Pharmacy Working Group in October 2004.

James Hoffman

James M. Hoffman, PharmD, MS, BCPS, is the Medication Outcomes Coordinator in the Pharmaceutical Department at St. Jude Children's Research Hospital in Memphis, TN. He received a bachelor's degree in Pharmacy and Doctor of Pharmacy from the Philadelphia College of Pharmacy. In addition, he received a master's degree in Pharmacy Administration from the University of Wisconsin-Madison. He completed a residency in pharmacy administration and fellowship in outcomes research at the University of Wisconsin Hospital and Clinics. Hoffman is a board certified pharmacotherapy specialist, and he serves on the editorial board of the *American Journal of Health-System Pharmacy (AJHP)*. For the past several years, he has been one of the primary authors of an annual publication on prescription drug expenditures that is published each January in *AJHP*.

Steve Jenning

Steve Jenning and his partners formed Capitol Health Group in 2001. Formerly, he was Vice President of Steelman Health Strategies, a federal health policy lobbying firm.

Jenning specializes in federal health care policy, law and regulation. His clients include manufacturers of prescription drugs, managed care companies, hospital and physician groups, skilled nursing facilities, and a pharmaceutical benefit management firm. From 1986 to 1997, Jenning served in several congressional staff positions in both the U.S. House of Representatives and the U.S. Senate, including chief of staff to Representative Ron Wyden and policy director to Wyden following the Oregon legislator's election to the Senate in 1996. Prior to his service in the Congress, Jenning was a newspaper and wire service reporter in California and Oregon. Jenning graduated from Columbia College with a degree in Comparative Literature in 1972 and received a master's degree from the Columbia University School of Journalism in 1974.

Michael McCaughan

Michael McCaughan is Senior Editor of *The RPM Report*, a new monthly magazine for the pharmaceutical industry from the publishers of *In Vivo*. *The RPM report* features in-depth reporting on events in Washington D.C. that affect key commercial issues in the biotech and pharmaceutical sectors. He speaks frequently on regulatory and policy developments affecting the biopharmaceutical industry, especially on the impact of the Medicare Modernization Act.

McCaughan previously spent 15 years on the staff of *The Pink Sheet*, including 10 years as Editor-In-Chief. He helped launch affiliated publications and on-line services, including *Pharmaceutical Approvals Monthly*, *FDA Advisory Committee.com*, *The Pink Sheet On The Web*, and *The Pink Sheet DAILY*. McCaughan joined *The Pink Sheet* in 1990 as a business reporter. He became Assistant Managing Editor in 1993, Managing Editor in 1995 and Editor-In-Chief in 1996. He is a summa cum laude graduate of Yale University.

Patrick McKercher

Patrick McKercher joined The Upjohn Pharmaceutical Company in 1985 as Executive Director of Corporate Initiatives. Following The Upjohn Pharmaceutical Company's merger with Pharmacia, Inc. in 1996, he joined the Center on Drugs and Public Policy at the University of Maryland in Baltimore as Executive Director. From 1999 - 2004 he joined the University of Michigan, College of Pharmacy as the Founding Director of the Center for Medication Use, Policy & Economics in the College of Pharmacy. Currently, he has several affiliations including adjunct professor in the Department of Pharmaceutical Health Services Research at the University of Maryland.

Dr. McKercher received his bachelor's degree from Ferris State University, his master's degree from Wayne State University, and Ph.D. from The Ohio State University. He has written many publications in the area of pharmaceutical economics and policy. During his tenure at Wayne State University, he received the "Faculty Recognition Award," annually presented by the Wayne State Board of Governors to five out of 3,000+ faculty members. He was recognized as a research fellow by the American Pharmaceutical Association and received the Jack Beal award for distinguished alumni from the College of Pharmacy at Ohio State University. In 2006 he will be honored by the Michigan Pharmacists Association and receive the 2006 Bowl of Hygiea for distinguished community service.

Dr. McKercher has hosted a series of conferences on reimportation of pharmaceuticals and is active in research.

Peter Moore

Peter D. Moore is Vice President and leader of the Logistics, Fulfillment and RFID (radio frequency identification) practice with Capgemini's Americas region. Moore has over 30 years experience in manufacturing, third-party logistics services and consulting. He and his team of professionals provide strategic and tactical consulting in logistics and RFID technology. With his deep operational knowledge in all aspects of supply chain, Moore is completing a Ph.D. in management of complex global organizations.

Lance Picoro

Lance Picoro has been with Amgen for nearly three years. In his current role, he is responsible for being a content expert on Medicare drug reimbursement and delivering presentations to payors and health systems on the impact of Medicare reform on reimbursement.

Previous responsibilities at Amgen have included developing payor strategies for Enbrel[®] and Aranesp[®] and managing Amgen's relationship with an employer benefits consultant to investigate opportunities to educate, message and influence employers on biologics and benefit design. Prior to joining Amgen, Picoro worked for Procter & Gamble Pharmaceuticals, where he held medical liaison and customer marketing positions.

He received his Doctor of Pharmacy and Masters of Science in Public Health from the University of Kentucky. He also completed a Fellowship at the University of Kentucky that focused on analysis of Medicaid claims data to evaluate the quality of prescribing and adherence to expert guidelines.

Heidi Wagner

Heidi L. Wagner, Esq., is Senior Director of Government Affairs for Genentech, Inc., a leading biotech company based in San Francisco, California. Wagner is an attorney with more than 16 years of experience in health care legislative and policy issues. Prior to joining Genentech, Inc., Wagner's policy expertise broadly encompasses issues relating to biotechnology, Medicare and Medicaid, Food and Drug law, intellectual property, managed care, antitrust, tax, and ERISA. She has published several articles and is a frequent invited speaker on issues relating to health care policy.

Wagner received a Bachelor of Science degree in Journalism and Mass Communication from the University of Colorado in Boulder and earned a Law degree from the George Mason University School of Law in Virginia.

Deborah Walter

Deborah Walter, MPA, has approximately 14 years experience leading and conducting research to reform healthcare policies. She is currently the Senior Director, Policy and Government Affairs, at the Association of Community Cancer Centers (ACCC) in Washington, DC. In that capacity, she is responsible for creating and designing an appropriate legislative and advocacy strategy for ACCC and executing that strategy in Washington, DC. Prior to this position, Walter was with the Pharmaceutical Research and Manufacturers of America (PhRMA) where she played a pivotal role in developing the association's policy and

legislative agenda on Medicare policy issues affecting payments to hospitals and outpatient departments, as well as physicians' offices.

Walter has also worked on Medicare reimbursement issues at the Medicare Payment Advisory Commission (MedPAC), an independent federal agency that advises the U.S. Congress on issues affecting the Medicare program, including payments to health plans and to providers in Medicare's traditional fee-for-service program, access to care and quality of care. She earned a master's degree in Public Administration and a Bachelor of Arts degree in Canada.



MISSION STATEMENT

The "Mission" states the association's purpose for being in existence. It succinctly communicates what the association does (or should do), and for whom it does it. It is developed from the needs of the stakeholders and others who have a vested interest in the success and well being of the association.

It is the mission of the Health Industry Group Purchasing Association to:

Information: Enhance the awareness of members' efforts to support the delivery of high quality, cost effective health care.

Liaison: Promote meaningful dialogue between health industry organizations engaged in group purchasing and other industry entities on issues of mutual interest.

Education: Provide educational opportunities designed to improve efficiencies in the purchase, sale and utilization of all goods and services within the health industry.

Advocacy: Work collaboratively with all legislative and regulatory authorities to insure fair and efficient procurement practices in an open and competitive market within the health industry.

VISION

The "Vision" is a brief and compelling description of what the association will be like when it accomplishes its mission. It expresses what the association wants to be, and as such, challenges the association to strive for excellence as it prepares for the future.

The Health Industry Group Purchasing Association envisions a world that is characterized by the following long-term impacts of its efforts as one of the nation's leading health care trade associations:

- There is an open forum for the exchange and promotion of best practices in the non-labor cost side of health care and for the exploration of complex issues in health care cost control.
- Cost-efficient, high-quality health care is more widely available.

- Innovative approaches flourish, and standards of practice and excellence are maintained, in the health care products market.
- HIGPA is an acknowledged national leader in speaking for and shaping the field of health care purchasing.
- HIGPA is a leader in providing educational and networking opportunities to its members.
- Free market dynamics for health care products are maintained.
- Beneficial and legally allowable cooperation is not disrupted by the proprietary interests of industry competitors.

VALUES

"Values" are guiding principles that clarify ways in which the association's members conduct their activities as they seek to accomplish the mission.

The Health Industry Group Purchasing Association believes in the following values:

- HIGPA's activities focus ultimately on benefiting the patient.
- HIGPA's responsiveness to its members.
- HIGPA's provision of high-quality products and services to its members and other customers that represent a powerful return on their investment of membership dues and fees.
- HIGPA's leadership in information collection, analysis, and dissemination and in education aimed at enhancing its members' competitiveness.
- HIGPA's provision of a neutral forum for the exploration of health care cost issues and of legally acceptable buyer-seller cooperation.
- HIGPA's integrity, honesty and credibility.
- HIGPA's leadership in shaping national policy on behalf of its members (Advocacy).
- HIGPA's contribution to the maintenance of an open, competitive market.
- HIGPA's innovativeness in product and service development and delivery.
- HIGPA's courage in fashioning positions on sensitive and potentially controversial issues.
- HIGPA's leadership role as a model of exemplary practice for other trade associations.

HIGPA ANTITRUST POLICY

The Health Industry Group Purchasing Association (HIGPA) has throughout its existence followed a rigorous program of compliance with the Sherman Act and other antitrust statutes. This Policy statement provides a reference for members of HIGPA and others who attend Association functions. All who attend HIGPA meetings should read and understand this statement.

Adherence to the guidelines below will avoid potential violations by individuals, member firms, and HIGPA itself. Violations of the antitrust laws are serious criminal violations, punishable by jail terms and substantial monetary fines, as well as treble damage civil penalties.

HIGPA is committed to full compliance with the antitrust laws. The guidelines set forth below have been established by the Board of Trustees to prevent any possibility of violation.

I. SUBJECTS WHICH MAY NOT BE DISCUSSED

Any agreement as to price among competitors is a violation of the Sherman Act, regardless of the reasonableness of the price set or whether the agreement is to raise, lower, peg, or stabilize price levels. It follows that any discussion of price or price levels at Association meetings is not permitted. An Association meeting is any meeting of the Board of Directors or any other group of members convened by the Association to conduct Association business. It does not include trade or vendor exhibits or shows that may be arranged in conjunction with an Association meeting. This includes any discussion of prices of products, supplies or service. Similarly, there must be no discussion of any elements of company operations, which might influence price, such as:

- a) Company costs of operations, supplies or services;
- b) Allowances or discounts;
- c) Terms of sale;
- d) Margins;
- e) Plans of individual companies concerning production, distribution or marketing of particular products; and
- f) Changes in industry production, capacity or inventories, except historical data.

Any agreement not to compete among business firms also violates the antitrust laws. Accordingly, no discussion of division of territories or customers, or limitation on nature of business, may be held at any HIGPA function. Joint refusals to deal (boycotts) are likewise unlawful, and no discussions related to this practice are permitted. Included within this prohibition are any discussions of black lists and any unfavorable reports involving particular suppliers.

II. MEETINGS

These standards apply to all Board, Executive Committee, committee, and all other meetings sponsored by HIGPA and all meetings attended by HIGPA members in that capacity. The agenda should be strictly followed; there must be no deviations, particularly in so far as subjects described in Item 1, above, might be discussed. During meetings, participants should conduct themselves as though the meeting were open to the public. Minutes of each meeting should be prepared by a designated secretary or staff member, and made available to all in attendance following the meeting.

In the case of HIGPA-sponsored meetings, HIGPA staff or a member of the Executive Committee will be in attendance at all times. HIGPA's Chairman and/or President & CEO may direct that legal counsel shall attend certain meetings.

Informal meetings between or among competitors can be dangerous from a legal standpoint. HIGPA urges its members to conduct any such meetings in strict adherence to these guidelines.

If counsel announces that a particular question, statement or discussion at a meeting borders on an area of antitrust sensitivity, the discussion will end immediately. If anyone in attendance at a HIGPA meeting has a question about whether a discussion is proper or not, the question should be raised immediately and counsel will determine whether the discussion should be terminated. If counsel is not present, the attendee should request the HIGPA Chairman and/or President & CEO to end the discussion until legal advice can be obtained; if the discussion is not ended, the participant should leave the meeting.

While it is impossible to cover every contingency that might arise, it is essential that all HIGPA members and staff have at least a basic understanding of the Federal Antitrust Laws. These guidelines are offered as part of HIGPA's commitment of maintaining healthy competition necessary to a strong business community.



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HEALTH INDUSTRY GROUP PURCHASING ASSOCIATION

CODE OF CONDUCT PRINCIPLES

INTRODUCTION

Hospitals and other health care providers have one principal objective: providing high quality care at an affordable price. Achieving this objective is always difficult, but it is particularly challenging now given a steady rise in the costs of health care items and services, and a sharp decline in payor reimbursement levels.

Group purchasing organizations (GPOs) – which enter into contracts with suppliers on behalf of their provider-members – help providers achieve their objectives of providing quality, affordable health care. GPOs do this in several ways. Most importantly, GPOs leverage purchasing power. That is, GPOs represent large numbers of providers and, as such, are able to negotiate lower prices with suppliers for a particular item than most individual providers, acting on their own, generally could.

GPOs also help their members avoid certain costs. For example, the process of procuring items and services – defining institutional needs, identifying quality products, preparing requests for proposal, analyzing responsive bids, and negotiating contract terms – requires specialized personnel, and is both time consuming and costly. GPOs, which are funded in large part by the fees that they receive from suppliers, are able to furnish those procurement services to their members at a minimal, or no, cost.

The services GPOs provide are of critical importance, especially during an era when providers are faced with a wide-range of challenges that put added constraints on the financial well-being of providers. The challenges include:

- More than 40 million Americans without health coverage;
- Severe hospital and health facility workforce shortages;
- Increasing administrative and regulatory burdens;
- Serious challenges in health care liability insurance;
- Skyrocketing costs for many critical new health care products and services;
- The increasing need for standardization of care and product use to improve patient safety, eliminate adverse events and reduce supply costs;
- Reimbursement systems that erect barriers to full deployment of new drugs and technologies;
- Rising costs and declining reimbursement; and
- A new emphasis on readiness in the wake of September 11.

In rising to these challenges, health care providers have pursued strategies to assure the highest level of uninterrupted care for their patients. At the same time, health systems have an obligation – imposed by public and private payers of care – to deliver such services in the most efficient, cost-effective manner possible. In recognition and appreciation of this obligation, now more than ever before, health systems need access to the cost-saving tools and resources of this group purchasing to manage growth in health care costs.

The Health Industry Group Purchasing Association (HIGPA) – in consultation with its member organizations – has prepared these Code of Conduct Principles to help ensure that providers have access to group purchasing organizations that offer necessary services at the lowest possible cost.* The principles cover several areas, including legal compliance, disclosure of vendor payments, conflicts of interest, product innovation, and a diverse manufacturer base with access to the GPO contracting process.

The organizations within HIGPA recognize that cooperation among health care providers is critical to ensure that patients' best interests are always served. Therefore, we collectively affirm our commitment to the following initiatives aimed at assuring patients' receipt of the highest quality care.

HIGPA's GPO Members are committed to observing these Principles, and to implementing company-specific compliance policies and procedures based upon each GPO's unique business structure and relationships. The Principles set forth below underscore the group purchasing industry's commitment to improving health care and advancing technological innovation at the most manageable cost to providers of care and their patients. These initiatives are designed to assure the operation of a thriving, innovative and competitive health care marketplace. Each GPO shall, at a minimum, incorporate these principles into its own Code of Conduct. Further, each GPO shall be committed to the full implementation of these Principles and shall not take any action that would be contrary to the intent and purpose of these Principles.

* These principles were developed through collaboration of HIGPA members and other trade association and industry members. The adoption of these principles affirms the best practices within the industry. Adoption of these principles reflects each GPO's commitment to the highest standards and is not a reflection upon any individual company's past actions or programs.

I. Principles

A. Compliance with Applicable Laws

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

B. Conflict of Interest Policies

1. GPO Employees

- a. Each GPO shall implement internal policies to require that employees who are in a position to influence the GPO contracting decisions do not accept any gifts, entertainment, favors, honoraria, or personal services payments (other than those of Nominal Value) from any Participating Vendor.
- b. Each GPO shall implement internal policies to require that none of its employees who are in a position to influence the GPO contracting decisions for Participating Vendors have an Individual Equity Interest in such Participating Vendors.

2. GPO Non-Employee Officers, Directors, or Advisors

- a. Each GPO shall implement internal policies to require that any non-employee officer, director, or member of an advisory board of a GPO, in a position to influence the GPO contracting decisions, who accept any gifts, entertainment, favors, honoraria, or personal services payments (other than those of Nominal Value) from any Participating Vendor discloses such transactions to the appropriate governance body and is rescued from any negotiations or decisions relating to such Participating Vendor.
- b. Each GPO shall implement internal policies that require that any non-employee officer, director or member of an advisory board or body of a GPO discloses Individual Equity Interests in any Participating Vendor to the appropriate governance body and is rescued from any negotiations or decisions relating to such Participating Vendor.

3. GPO Corporate Equity Interests

- a. Each GPO shall implement internal policies ensuring that the GPO does not have any Corporate Equity Interest in any Participating Vendor of Clinical Products or Services, unless the acquisition of such Corporate Equity Interest demonstrably benefits the GPO's Members by creating a source of a Clinical Product or Service where there is otherwise no other source, or very limited sources.
- b. Each GPO that has a Corporate Equity Interest in a Participating Vendor shall disclose such equity interests to Members in writing. Each GPO in which a Participating Vendor has a Corporate Equity Interest shall disclose such equity interest to Members in writing. Such disclosure should be made (a) at the time the Corporate Equity Interest is obtained if the GPO already has a contract with the Vendor or (b) at the time the GPO enters into a contract with the Vendor if the GPO does not already have a contract with the Vendor, and in each case, at least annually thereafter. GPOs shall also publicly disclose such Corporate Equity Interests.
- c. Each GPO that has a Corporate Equity Interest in a Participating Vendor will impose no obligation, commitment or other requirements or restrictions that in any way obligates any Member to purchase goods or services from such Participating Vendor.

C. Member Relations, Product Evaluation & Vendor Grievances

GPOs shall be committed to identifying and making available to Members innovative products and technologies in order to promote high quality and cost-effective health care, and to the free exchange of information relating to clinical, safety and contractual and business relationships with Vendors and Members:

1. Member Communications & Relationships with Vendors

- a. Each GPO shall implement its policies and contracts in a manner that permits its Members to (a) communicate directly with Vendors, including Vendors that do not have current contracts with a Member's GPO, (b) assess Products or Services provided by a Vendor that does not have a contract with the GPO, and (c) purchase Clinical Preference Products or Services directly from Vendors that do not contract with the GPO.
- b. Each GPO shall implement a contracting process that (a) informs potential Vendors of the process for seeking and obtaining contracts with the GPO and (b) provides any and all interested Vendors with the opportunity to solicit contracts, including but not limited to posting such information on a GPO's Web site and promptly responding to Vendor inquiries regarding contract opportunities.

2. Innovative Product Evaluations

Each GPO shall individually engage in or otherwise participate in processes and programs that routinely evaluate and provide opportunities to contract for innovative Clinical Products or Services.

3. Vendor Grievances

Each GPO shall adopt policies and procedures that endeavor to address Vendor grievances related to access for innovative Clinical Products or Services.

D. Use of Contracting Tools

The goals of the GPO contracting process include promoting quality of patient care and achieving price savings and cost reduction for Members. In order to better achieve those ends, GPOs seek to foster competition among Vendors. To that end, GPOs have contracting tools that include sole source contracting, commitment level requirements, contract length, and multi-product line discount arrangements. GPOs should use these tools either alone or in combination only in contracting arrangements that achieve the foregoing goals. These goals are most important in relation to Clinical Preference Products or Services. To the extent that multiple contracting tools are used in the contracting process, each GPO shall consider the following factors in each contractual arrangement to achieve the aforementioned goals: market share of the Participating Vendors, the size of the GPO, the number of Vendors available to provide the relevant product or service, ability of the Participating Vendor to meet the needs of the GPO's Members, and the occurrence of innovation in the relevant product or service category.

E. Compliance, Certification & Implementation

1. Compliance Offer

Each GPO shall designate a compliance officer who will be responsible for overseeing compliance with the Code of Conduct adopted by the GPO and the fulfillment of the GPO's reporting requirements.

2. Certification

The management of each GPO member of HIGPA shall certify annually to HIGPA that they are in compliance with the principles. HIGPA will publish an annual report identifying those HIGPA members that have certified their compliance. This certification shall constitute a requirement for membership in HIGPA.

3. Implementation, Transition & Updating

- a. Each GPO shall adopt a transition plan supervised by its compliance officer in keeping with these principles in the event (a) an entity becomes a Participating Vendor to a particular GPO, (b) an employee (i) is in a position to influence the contracting decision for Participating Vendors and currently has an Individual Equity Interest in such Participating Vendors or (ii) is hired or transferred to a position in which the employee would influence the contracting decision for Participating Vendors and has an Individual Equity Interest in such Participating Vendors, or (c) other situations arise to which these principles apply. Each GPO shall seek regular, periodic and timely disclosure of information covered by these conflict of interest principles by directors, officers, employees, and advisors.
- b. HIGPA shall assess and update the 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.

F. Reporting & Education

1. Industry-Wide Survey

To promote competition and to evaluate on an ongoing basis the benefits of group purchasing, HIGPA will evaluate and implement, consistent with the antitrust laws, periodic surveys and aggregate reporting of industry-wide information relating to value through cost savings and administrative efficiencies of GPO relationships.

2. Web-Based Vendor Directory

In order to foster innovation, HIGPA, 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.

3. Educational Programs

HIGPA 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 assure availability of new and innovative products to Members through the GPO contracting process.

G. Disclosure of Vendor Payments

1. Written Agreement

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

2. Disclosure of Acceptance of Payments

Each 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.

3. Disclosure of Payments Related to Purchases

Each GPO 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.

4. Disclosure of Payments Not Allocable to Actual Purchases

Each GPO shall annually report, or cause to be reported, to each Member or Member's agent the amount of Payments received pursuant to a Vendor contract that was utilized by that Member, but is not allocable or otherwise reported with respect to the actual purchases of that or any other Member.

H. Safety, Cost-Reduction & Clinical Comparability

GPOs 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.

I. Diversity

GPOs shall offer or participate in programs that promote diversity among Vendors to include women and minority-owned Vendors.

II. Definitions

- A. **"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.
- B. **"Clinical Products or Services"** shall mean products or services used by providers directly in the provision of health care services to patients.
- C. **"Corporate Equity Interest"** shall mean securities, options, warrants, debt instruments (including loans), or rights to acquire any of the foregoing.
- D. **"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.
- E. **"Individual Equity Interest"** shall mean securities, options, warrants, debt instruments (including loans), or rights to acquire any of the foregoing, provided, however that the term shall not include: (a) interests in 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.
- F. **"Members"** shall mean any provider of health care services to patients 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 Vendors to furnish goods or services to the provider.
- G. **"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.
- H. **"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.
- I. **"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.
- J. **"Vendors"** shall mean manufacturers, distributors, suppliers, or other entities that sell goods or services to Members.

HIGPA would like to thank Cardinal Healthcare for their generous support of the 2006 National Pharmacy Forum Welcome Reception.



Save the Date!

Upcoming HIGPA Conferences:

2006 HIGPA International EXPO

October 16-18, 2006

Ritz-Carlton & JW Marriott Orlando Grande Lakes
Orlando, Florida

2007 National Pharmacy Forum

February 12-14, 2007

Four Seasons Hotel
Austin, Texas

2007 HIGPA International EXPO

October 22-24, 2007

JW Marriott Desert Springs Resort
Palm Desert, California

2008 HIGPA International EXPO

October 20-22, 2008

Ritz-Carlton & JW Marriott Orlando Grande Lakes
Orlando, Florida