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|  <b>HAWAII HEALTH SYSTEMS</b><br>CORPORATION<br><i>"Touching Lives Everyday"</i> | Department:<br>Corporate Finance                                    | Policy No.:<br><b>PUR 0025</b>         |
|                                                                                                                                                                   |                                                                     | Revision No.:<br>1                     |
|                                                                                                                                                                   | Issued by:<br>Kelley C. Roberson<br>COO/CFO                         | Effective Date:<br>November 13, 2008   |
|                                                                                                                                                                   |                                                                     |                                        |
| <b>Policies and Procedures</b>                                                                                                                                    |                                                                     |                                        |
|                                                                                                                                                                   |                                                                     |                                        |
| Subject:<br><b><i>Requesting Review and Approval of Group Purchasing Organization (GPO) Vendor Agreements</i></b>                                                 | Approved by:                                                        | Supersedes Policy:<br>November 1, 2006 |
|                                                                                                                                                                   | HHSC Corporate Board<br>By: Raymond Ono<br>Its: Secretary/Treasurer | Page:<br>1 of 3                        |

- I. PURPOSE:** To promote and obtain maximum financial and operating efficiencies, economies of scale by maximizing portfolios of products and services for volume discounts, and standardization where appropriate across all HHSC regions through the review and consolidation of System requirements for Group Purchasing Organization (GPO) Vendor Contracts. The Hawaii Health Systems Corporation (HHSC) is currently under a contract to access membership services of a GPO to provide discounted products, services and technology solutions.
- II. POLICY STATEMENT:** There shall be a single System Wide GPO which does not restrict competition with other vendors to ensure maximum competition where appropriate. GPO vendor's portfolio of products and services shall be used throughout all regions to maximize discounts from vendors based on the collective buying power of the GPO where appropriate.

### III. DEFINITION

As used herein:

**GPO Vendor Contracts:** The term "GPO Vendor Contract", as used in this policy, includes any form of agreement or commitment of any type or format used by the single incumbent GPO. GPO Vendor Contracts are commonly referenced as Letters of Commitment, Letters of Participation and Letters of Designation. GPO Vendor Contracts come in many forms and are written agreements, entered between HHSC and the GPO member vendor, which creates a financial, or any other obligation or obligations. GPO Vendor Contracts are utilized to secure the maximum discounts from the GPO vendor's portfolio of products and service commitment levels, and are typically organized by GPO program categories, to include, but not limited to:

- Medical Surgical
- Pharmacy
- Distributors
- Food and Nutrition
- Laboratory
- Capital Equipment

- IV. POLICY:** HHSC Pres/CEO and COO/CFO have authority to enter into Corporate Office and System GPO Vendor Contracts in collaboration with the regions in any amount for any lawful expenditure up to the then current threshold authorized by HHSC Board of Directors (ref PUR 0001 & PUR 0010). .

Each HHSC Region will be responsible and accountable for completing and reviewing Regional GPO Vendor Contracts within their respective region(s), and shall be responsible for obtaining review and approval of the business and legal terms of those contracts, and verification of possible opportunity for maximizing the System GPO membership volume discounts, by the Corporate Director of Contracts and Materials Management, consistent with current HHSC and Regional policies and procedures (ref PUR 0001, PUR 0010, PUR 0007 and PUR 0014).

GPO Vendor Contracts which, in the aggregate, exceed the authorized signature level of the HHSC Pres/CEO and COO/CFO shall be submitted for HHSC Board Approval. GPO Vendor Contracts for equipment purchases exceeding \$100,000.00 shall be competed by acquiring two quotes from other vendors within the existing GPO as applicable (Reference PUR 0002), unless there are exceptions in obtaining GPO vendor equipment quotes, as detailed below. If HHSC and or Regional procurement personnel are not able to provide two quotes for System equipment purchases through GPO vendor's portfolio of products, then purchases may require processing in accordance with Chapter 103D procurement methods or in accordance with regional policies and procedures as appropriate. In addition to obtaining quotes, HHSC and or Regional procurement personnel are always encouraged to obtain an industry research data analysis to verify that the GPO vendor pricing is competitive.

**A. Exceptions:**

1. HHSC Pres/CEO or COO/CFO, or regional procurement designee, shall have the authority to approve a request for the waiver of the above described competition and quote requirements. Any request for such a waiver must include a written explanation with sufficient detail to justify the waiver; approval shall be at the discretion of the HHSC Pres/CEO or COO/CFO, or regional procurement designee.

**V. PROCEDURE - System GPO Vendor Contract forms [e.g. LOC's, LOP's, LOD's etc.]:**

- A.** The Corporate Director of Contracts and Materials Management office will review all completed GPO Vendor Contracts prior to execution by the authorized HHSC corporate or regional signatory. Use of GPO vendor form contracts is discouraged because they are written to be favorable to the vendor, not the purchaser (Ref PUR 0007). A GPO vendor form contract will be acceptable, provided sufficient detail, pricing, and schedule data are provided, legal review in accordance with PUR 0014 is obtained, and HHSC General Conditions, either abbreviated or long form, are attached, as appropriate.

**B.** The procedure for requesting System GPO agreement review and approval:

1. GPO Vendor Contracts are obtained from the GPO either directly or through the GPO electronic database. Regional Material Management shall submit a fully completed but not executed Regional GPO Vendor Contract to the Corporate Director of Contracts and Materials Management.
2. Corporate Director of Contracts and Materials Management will review the Regional GPO commitment forms and or GPO Vendor Contracts to ensure System Wide saving

and or standardization is maximized. Incomplete forms will be returned to the requestor for completion of missing or erroneous data as appropriate.

3. As needed, the Corporate Director of Contracts and Materials Management shall engage in vendor negotiations with the assistance of the regions to resolve any legal or business terms.
4. GPO Vendor Contracts can be legally binding as with all vendor contracts. Legal review shall be obtained in accordance with HHSC PUR0014 on System GPO Vendor Contracts.
5. The HHSC COO/CFO and/or respective Regional Chief Financial Officer shall prepare a HHSC Board motion for approval by the HHSC Board of Directors on System GPO Vendor Contracts with aggregate value greater than the then current threshold authorized by HHSC Board of Directors (ref PUR 0001 & PUR 0010). .
6. System GPO Vendor Contracts shall be reviewed and approved by the Corporate Director of Contracts and Materials Management and shall be sent to the HHSC COO/CFO, or delegated authority for execution.

Regional GPO Vendor Contracts shall be reviewed and approved by the Corporate Director of Contracts and Materials Management and shall be sent to the Regional CEO and CFO for execution.

7. The Corporate Director of Contracts and Materials Management shall maintain a repository of all the current System GPO Vendor Contracts.

**VI. APPLICABILITY:** All HHSC facilities, departments and HHSC Corporate Staff.

**VII. REFERENCES:** HRS 323F; HRS Chapter 103D; HRS chapter 103-53. Reference to HRS 103D and corresponding administrative rules does not intend to waive any applicable exemption to 103D and the rules.