



<b>TITLE:</b> Contracting Process	<b>POLICY DESCRIPTION:</b> Contracting Process for New Supplier Contracts, and Supplier Contract Renewals
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<b>EFFECTIVE DATE:</b> May 2017	<b>REFERENCE NUMBER:</b> HT.008

<p><b>SCOPE:</b> All HealthTrust colleagues, but specifically for the colleagues involved in strategic sourcing (referred to herein as the “Contracting Group”, as well as the Advisory Boards and Supply Chain Board).</p>
<p><b>PURPOSE:</b> To establish uniform policies for the award, negotiation and execution of contracts, and for the internal processes in support of these contracting functions.</p>
<p><b>POLICY:</b> The process for determining contract awards and contracting with suppliers for products and services that are to be purchased by HealthTrust members shall be conducted in accordance with the provisions of this Policy. This Policy also applies to decisions on whether to negotiate the renewal of existing contracts or to award contracts resulting from a competitive solicitation and negotiation process.</p> <p><b>EXCEPTIONS and VARIATIONS:</b> Contracting requirements can be unique for every project. As a result, exceptions to this Policy may occasionally be required. At any point in time during a contract negotiation, HealthTrust (in conjunction with the applicable Advisory Board and Supply Chain Board) may change its decision on how to proceed in a given contract area. For example, HealthTrust may re-start a contract process (requesting proposals from additional suppliers or new proposals from competing supplier, etc.), extend or renew the current contract, or terminate the contracting process if a national agreement will not meet the needs of HealthTrust members. In addition, some of the process steps may need to be repeated or the order of some of the process steps may need to change, to help ensure the best quality product or service is selected.</p> <p><b>DEFINITIONS:</b></p> <p><b>Advisory Boards</b> – HealthTrust has a number of Advisory Boards that drive the contracting process and decisions. Advisory Boards review and recommend contracting strategies, provide clinical and technical product and service requirements, perform (or have others perform) product evaluations (where necessary, as determined by the Advisory Board), and make contract award recommendations. Advisory Boards may also review and evaluate new products as they emerge or are requested by members. Each Advisory Board is made up of representatives from HealthTrust’s member groups, and each board is directed by a HealthTrust associate. As of the date of this policy, the following boards were in place:</p> <ul style="list-style-type: none"> <li>• Surgery Advisory Board</li> <li>• Cardiology Advisory Board</li> <li>• Nursing Advisory Board</li> <li>• Radiology Advisory Board</li> <li>• Laboratory Advisory Board</li> <li>• Information Technology Advisory Board</li> <li>• Food &amp; Nutrition Advisory Board</li> <li>• Facility Infrastructure Advisory Board</li> <li>• Pharmacy Advisory Board</li> </ul>



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Certain categories may require specialized subject matter expertise and warrant the forming of a Specialty Committee. Examples of Specialty Committees include: Advanced Wound Care, Perinatal, Infection Prevention, Cardiovascular OR, Respiratory Therapy, IT Security and Human Resources.

**Bundled Contracts** – “Bundled Contracts” are contracts where purchases of unrelated products may be offered by suppliers in an attempt to gain business across multiple unrelated product categories. It is HealthTrust's policy to evaluate each unique contracting product line/category on its own merit as separate projects. As a result, HealthTrust does not solicit contracts for unrelated products in one agreement.

**Comprehensive Acquisition Process (CAP)** – Strategic sourcing initiatives that are high-dollar, high cost-impact, or high value categories where products tend to be more clinical or complex, with more influence within supply/capital expense. CAP projects follow the comprehensive national sourcing process outlined in this document.

**Contract Package** – A package of materials providing information for new and/or renewed contract. The Contract Package typically includes a cover sheet, contract summary sheet, list of product pricing and related product information, cross references, product brochures, list of frequently asked questions and special policies (regarding returns, warranties, value added programs, etc.), as applicable.

**Contract Status** – Contracts are typically negotiated by the Contracting Group with one of the following award status options:

- **Sole Source** – A contract award status where HealthTrust contracts with only one supplier for the category. The expectation for a sole source agreement is that it will deliver exceptional value to the members, and that the membership has the ability to drive compliance and market share to the awarded supplier.
- **Dual Source** – A contract award status where HealthTrust contracts with only two suppliers for the category. The expectation for a dual source agreement is that it will deliver significant value to the members, and that the membership has the ability to standardize to one of the awarded suppliers.
- **Multi-source** – A contract award status where HealthTrust contracts with three or more suppliers for the category. Multi-source is typically used when clinical or operational requirements dictate a need for choice and where standardization may not be achievable.
- **Optional-source** – A contract award status where HealthTrust contracts with one or more suppliers and it is the member’s choice whether or not to use any contract in this “optional” category.

**Contracting Work Plan** – The Contracting Group creates a Contracting Work Plan that includes national contract categories expiring within eighteen months (as these are the contract areas that will need to be re-



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bid, renewed, or extended). In addition, the Work Plan may include new contract areas that have been identified as new coverage opportunities. The Work Plan is approved by HealthTrust, Advisory Boards, and the Supply Chain Board. Changes may occur to the Work Plan throughout the year (e.g. addition of new projects that arise based on member needs).

**Electronic Commitment Systems** – The systems utilized by HealthTrust, its members, and suppliers to manage Letters of Commitment (LOCs) which designate the tier (in the case of contracts that have multiple tiers) that the member is committing to under the contract.

**Final Strategy** – the final phase of a contracting initiative where contract awards are determined.

**Ineligible Person** - For purposes of this policy, any individual or entity that: (i) is currently excluded, suspended, debarred or otherwise ineligible to participate in any Federal health care program; or (ii) is currently excluded on a state exclusion list. Should an individual or company appear on the GSA List, the OIG Sanction Report, or the applicable state exclusion list, HealthTrust and its affiliates may not contract with that individual or company.

**Partner Advisory Committee** – An advisory group to HealthTrust that is comprised of representatives from each of HealthTrust’s equity partners and members of HealthTrust’s senior management team.

**Related Product Contracts** - HealthTrust may, 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.)

**Simplified Acquisition Process (SAP)** – Strategic sourcing initiatives that HealthTrust and the applicable Boards have agreed may follow a simplified contracting process. SAP projects are typically existing contract categories with less than \$10m in category spend, with no new suppliers, no new technology and expected savings or new contract categories with low reported spend. If savings is not achieved, CAP process may be utilized. For pharmacy, SAP may also include brand to generic product conversion opportunities, or time-sensitive price optimization events.

**Strategic Sourcing Team** – Strategic Sourcing is divided into three business areas.

- Core GPO: a contracting team responsible for national GPO agreements in the areas of Nursing, Surgery, Laboratory, Radiology, Pharmacy, Clinical Capital Equipment and other clinical healthcare IT.
- Commercial Products and Services: a contracting team responsible for national GPO agreements and custom agreements in the areas of Non-Medical, IT, Purchased Services, Food and Nutrition, Human Resources, Facility Infrastructure, Energy, Non-Clinical Capital Equipment and other areas of indirect spend.
- inSight Advisory-Medical Device: a team focused in the area of physician preference items (medical devices). The team includes resources responsible for national GPO agreements in certain physician preference categories that are applicable to the entire membership.



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**Strategy Validation** - The start of a contracting initiative, whereby due diligence conducted in the RFI leads to a preliminary determination by the Advisory Boards and Supply Chain Board of the contracting strategy.

**Supplier Diversity Team** – A team that identifies diversity suppliers for possible national contracting opportunities. The team works with diversity suppliers to help guide the supplier on how best to work with HealthTrust and its members. The team also validates the diversity certification of the supplier through the following certification organizations:

- NMSDC – certifies ethnic minorities businesses.
- Women’s Business Enterprise National Council (WBENC) – certifies women owned businesses.
- Association for Service Disabled Veterans – certifies disabled veterans businesses.

**Supply Chain Board** – In addition to the Advisory Boards, HealthTrust has a Supply Chain Board that also drives the contracting process and decisions. The Supply Chain Board reviews the recommendations and clinical/technical input from the Advisory Board, provides input into category business and operational requirements, reviews detailed financial analysis of supplier proposals, and makes final contract award decisions (the Partner Advisory Committee has delegated decision making authority to the Supply Chain Board and in most cases the Supply Chain Board delegates decision making authority for pharmacy related initiatives to the Pharmacy Advisory Board). The Supply Chain Board is made up of supply chain executives from HealthTrust’s member groups, and is directed by a HealthTrust associate. If HealthTrust believes that a Supply Chain Board decision needs the Partner Advisory Committee’s review, HealthTrust will present that to them, and they may elect to change the Supply Chain Board decision.

**PROCEDURE:**

**INTRODUCTION:**

The Strategic Sourcing Team creates a Contracting Work Plan which drives the sourcing activities of the Contracting Group.

The National Sourcing Process is described below. This process is utilized for all CAP projects, subject to the Exceptions and Variations clause on page 1 of this policy. Some projects in the Contracting Work Plan will be approved by the applicable Advisory Board and Supply Chain Board as SAP projects, which will follow a simplified process that may include renegotiating with existing contracted suppliers versus a comprehensive bid process.

1. Research: HealthTrust researches the product/service category. Including, but not limited to:
  - a. Review of the current contract(s), if an existing contract category.
  - b. Identify, to the best of our ability, the suppliers available to compete in the category, including any diversity suppliers.
  - c. Research to understand the products/technologies and services available in the marketplace for the category. This research will also be used to inform decisions related to Bundled



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<p>Contracts or Related Product Contracts.</p> <p>d. Review product/service quality feedback of existing contract supplier products.</p> <p>2. RFI: A RFI is sent to all identified and eligible suppliers. Suppliers that are Ineligible Persons will not be considered. A RFI typically includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>a. Notice that supplier’s failure to fully respond fully or timely may eliminate it from consideration.</li> <li>b. Cover Letter</li> <li>c. RFI Questions</li> <li>d. Supplier Physician Ownership and Compensation Certification <ul style="list-style-type: none"> <li>i. The supplier must complete this document, which details any physician ownership or physician compensation from the supplier. If any physician ownership or physician compensation is disclosed, it will be reviewed to determine if the supplier can receive an RFP.</li> </ul> </li> <li>e. Market Share Overview (supplier reports market share information)</li> <li>f. Supplier Spend Data (supplier reports utilization data)</li> <li>g. Cross Reference (supplier provides product cross reference information)</li> <li>h. Supplier Install Base (supplier reports install base information for equipment)</li> <li>i. Product Catalog (supplier submits electronic catalog of category products/services).</li> </ul> <p>3. RFI Analysis: HealthTrust reviews and analyzes the supplier submitted RFIs. The review of RFIs may eliminate some suppliers from the subsequent RFP process (discussed below). For example, if the supplier is determined to be an Ineligible Person. In addition, the supplier’s submitted company financials and the supplier’s Dunn and Bradstreet (D&amp;B) report will be reviewed to assess supplier’s financial stability.</p> <p>4. Strategy Validation: HealthTrust presents a recommended contracting strategy to the appropriate Advisory Board and Supply Chain Board.</p> <p>The Advisory Board will:</p> <ul style="list-style-type: none"> <li>- Review the strategy (including potential Contract Status strategies) and either validate or recommend an alternate strategy.</li> <li>- Provide feedback on existing contracts, products, and services.</li> <li>- Provide requirements that should be addressed during the bid process (e.g. clinical, technical, operational, conversion, or business).</li> <li>- Potentially eliminate suppliers from the bid process.</li> <li>- Determine whether product evaluations are necessary and if so, the type of evaluation.</li> </ul> <p>The information obtained during the Advisory Board Strategy Validation will then be presented to the Supply Chain Board. The Supply Chain Board will then:</p> <ul style="list-style-type: none"> <li>- Review the recommended Advisory Board strategy, feedback, and requirements</li> <li>- Approve the recommended strategy, or approve an alternate strategy.</li> </ul>
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- Provide any additional requirements that should be addressed during the bid process.
- 5. RFP: RFP is issued. Any supplier determined to be an Ineligible Person will not be considered. A RFP typically includes, but is no limited to:
  - a. Notice that supplier’s failure to fully and timely respond may eliminate it from consideration.
  - b. Cover Letter
  - c. RFP Questions
  - d. HealthTrust Contract Template
  - e. HealthTrust Pricing Template
  - f. Supplier Questionnaire
  - g. Environmental Questionnaire
  - h. Business Associates Agreement (if one covering this project does not already exist)
- 6. RFP Analysis: HealthTrust analyzes RFP responses, including but not limited to:
  - a. Confirmation that supplier submitted all required RFP information.
  - b. Validation that the supplier is not on an Ineligible Person.
  - c. Analysis of supplier’s financial proposal.
  - d. Assessment of supplier’s response to bid requirements and criteria.
  - e. Assessment of supplier’s acceptance of HealthTrust contract terms and conditions.
- 7. Negotiations: HealthTrust negotiates with supplier to arrive at final bid proposal.
- 8. Final Strategy: The Advisory Board reviews bid results (which may include financial, clinical, technical, operational, and service components) and recommends a Final Strategy. The Supply Chain Board reviews the Final Strategy recommendation of the Advisory Board and makes the final contract award decision.
- 9. Supplier Notification: HealthTrust notifies the bidding supplier(s) of the bid outcome. Non-awarded suppliers receive a “Supplier Notification Letter” (see Exhibit A). HealthTrust also has an established process for addressing supplier grievances. Please refer to HealthTrust Policy HT.014, “Process for Addressing Supplier and Bidder Grievances”.
- 10. Implementation:
  - a. Contract Package(s) are prepared.
  - b. Contracts with tiered pricing require facilities to complete Letters of Commitment (LOCs) to document their intent to commit to purchase from a stated supplier. These letters will be issued to HealthTrust members when the contract is announced and managed through HealthTrust’s Electronic Commitment Systems.
  - c. HealthTrust maintains awarded supplier bid information.

**REFERENCES:**

Separate Policies



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HealthTrust Accounting Policy Guide #2 HealthTrust Accounting Policy Guide #3 HealthTrust Policy HT.014 – Process for Addressing Supplier and Bidder Grievances  <u>Exhibits Pertaining To This Policy (see attachments):</u> Exhibit A – Example Supplier Notification Letter
<b>NOTE:</b> This policy will be maintained on the HealthTrust public website.