

CHILD HEALTH CORPORATION OF AMERICA POLICIES AND PROCEDURES

SUBJECT: Disclosure and Reporting of Vendor Payments

PURPOSE: To establish Administrative Fee Criteria and the related Fee Allocation and Reporting processes, including appropriate disclosure to the Owner Hospitals.

POLICY:

Fee Criteria

CHCA will seek Administrative Fees up to three (3) percent of the purchase price of goods and services when evaluating contracting opportunities.

Fee Allocation

CHCA receives fees from contracts negotiated by Premier and by CHCA:

- Fees received from Premier. Fees earned by Premier on behalf of CHCA Owners are collected by Premier. For all CHCA Owner purchases, Premier delivers via monthly wire transfer to CHCA the agreed upon percent of administrative fees as outlined in the CHCA/Premier Group Purchasing Agreement, along with the supporting documentation outlining the volume and fee per facility;
- Fees received from Vendor. Fees earned by CHCA on behalf of CHCA Owners are collected by CHCA via wire transfer or check directly from the vendor.

Fees are recorded as of the date received by CHCA or Premier (i.e., on a cash basis) and allocated according to the percentage of fees attributable to each CHCA Owner. For example, if Owner A accounts for five (5) percent of the fees paid to CHCA, five (5) percent of all fees will be allocated to Owner A. In the event a fee program deviates from a direct allocation to Owners, or if CHCA staff requires clarification on fee allocation, the Supply Chain Management Executive Committee will determine the fee allocation. No Fees will be distributed via patronage dividends to any hospital for which CHCA does not have CHCA's Group Purchasing Services Agreement in effect for the time period in which the Fee is earned from the vendor. When practical, CHCA will return to the vendor, material administrative fees received on customer purchases made by an Owner Hospital who does not have CHCA's Group Purchasing Services Agreement in effect for the time period in which the Fee is earned from said vendor. If the aggregate amount in question is less than \$100, CHCA will distribute the administrative fees collected to its Owner Hospitals participating in the group purchasing program.



Child Health Corporation of America

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SUBJECT: Disclosure and Reporting of Vendor Payments, continued

Fee Reporting

Annually, CHCA provides the applicable written disclosure statements to each CHCA Owner. CHCA shall also make these disclosures available to the Secretary of the United States Department of Health and Human Services, upon the Secretary's request. The disclosure statements include the following:

- Premier Administrative Fee Disclosure Statement. This statement, provided to CHCA by Premier, identifies the amount of fees paid to Premier on the Owner's behalf during Premier's fiscal year;
- Premier Exception Schedule. This statement, provided to CHCA by Premier, identifies all Premier purchasing agreements that have the potential to exceed three (3) percent;
- CHCA Fee Disclosure Statement. This statement identifies the amount of fees paid to CHCA on the Owner's behalf during CHCA's fiscal year;
- CHCA Exception Schedule. This statement identifies all CHCA purchasing agreements that have the potential to exceed three (3) percent.

EFFECTIVE DATE: November 1, 2004

REVISION/REVIEW DATES: April 12, 2007; February 14, 2008

Any CHCA personnel with questions regarding appropriate procedures under this policy should contact the Senior Vice President, GPS or the Vice President, Finance.