PREMIER

<u>**Application Summary**</u>

Glossary of Terms and Abbreviations

A_____

Advisor Suite A set of performance improvement solutions that measure areas of hospital operation, including clinical outcomes, operational efficiency, patient satisfaction and patient safety. Includes advisor view, clinical advisor, operations advisor, safety advisor and perception advisor.

AEIX American Excess Insurance Exchange: Provides participating Owners with excess and umbrella professional and general liability insurance.

Affiliate A hospital or non-hospital provider of care that is not an Owner of Premier (holding no equity interests) but accessing Premier services such as group purchasing by means of a contractual affiliation arrangement with an Owner or Premier. In combination with Owners, Affiliates are Premier alliance Members.

AHRQ Agency for Healthcare Research and Quality

ART Alliance Relations Team

ASD Accelerated Solutions Development: organized approach bringing key business stakeholders together to work collaboratively and rapidly on strategy, technology architecture, and innovative business improvement initiatives

ASTD American Society for Training and Development

B_____

Base Camp Description of anticipated healthcare/business environment three years out, prepared in advance of each new three-year Premier strategic planning cycle, in combination with a description of the capabilities and characteristics Premier will need to have in order to advance forward from there toward its 20-30 year BHAG.

BC Business Continuity

BCG Business Conduct Guidelines: A document that summarizes our policies, practices and resources with respect to our ethical standards and expectations.

BHAG Big Hairy Audacious Goal: Premier's 20-30 overarching aim stated as "Premier's Owners will be the leading healthcare systems in their markets, and, with them, Premier will be the major influence in reshaping healthcare." Premier's Foundation Statements include this goal and Envisioned Future describing the alliance and healthcare if the BHAG is reached.

BI Business Intelligence - The BI department is a central corporate resource designed to monitor and collect business knowledge critical to maintaining our competitive position in the marketplace, and is primarily responsible for information gathering, analysis and reporting for the purpose of strategic decision making.

BLR Business Line Review : Formalized review and analysis by Premier's executive leaders of Business Units' strategic plans, considering historical and anticipated performance, strategies and

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action plans, environment, challenges and opportunities, Customer relationships, and other significant factors. BLRs are undertaken regularly with standardized approaches.

BoD Board of Directors

BTS Breakthrough Series: Clinical Supply Chain Collaborative Breakthrough Series utilizes IHI's "Models for Improvement," a proven breakthrough system, and brings together Premier Members who share a commitment to significant, rapid changes that produce measurable results in supply chain and high profile physician preference areas.

BU Business Unit

C_____

CAMS Contract Administration Management System

CD Corporate Development

CDC Center for Disease Control

CEO Chief Executive Officer

CFO Chief Financial Officer

COI Conflict of Interest

CISWG Computer Information Security Work Group

CI Corporate Initiative

CITS Corporate Information Technology Services

CLC Corporate Learning Council

CMO Chief Medical Officer

CMS Centers for Medicare and Medicaid Services

Communities (as used in Premier Core Purpose "to improve the health of communities"): We understand "communities" to mean not only people living in geographic locales but also other populations with common characteristics, such as the elderly or insured managed-care groups. Similar language of purpose is inherent in the charters of our Owners, each a not-for-profit organization operated for social good. Shared purpose ensures congruence in aim with those we serve.

Contracted Suppliers Companies with which Premier has entered into a group purchasing contract through which Members may purchase goods and equipment at group pricing and terms.

CoC Code of Conduct

Core Competencies for Premier employees, derived from Core Values. The 11 Core Competencies are integrity and trust, drive for results, planning, problem-solving, business acumen, learning on the fly, customer focus, conflict management, self-knowledge, and peer relationships.

CSC Customer Solution Center

CTQ Critical to Quality

Customers (for services and products delivered externally): Referred to in general and collectively, those organizations of all categories that buy/use Premier services, including Owners, Affiliates, and others that are not alliance Members.

CY Calendar Year

D_____

DR Disaster Recovery

Disaster Support Team Mobilizes to support our members affected by large-scale emergencies. The team coordinates with our Group Purchasing suppliers to assure shipments of needed supplies.

E_____

EA Enterprise Architecture

ECO Ethics and Compliance Officer

E-Commerce Electronic Commerce

EMS Entity Management System

Environmentally Preferable Purchasing Program: A collaborative effort between our Premier Group Purchasing program and the Premier Safety Institute. It encompasses products and packaging that are less toxic, prevent pollution, are more energy efficient, and are safer and healthier for patients, workers and the environment when compared to competing products and services. These include products that can be recycled or are biodegradable, contain less toxic and hazardous chemicals and additives, do not contain mercury, promote good indoor air quality, can be re-used or recycled to minimize waste, and reduce risks for patients, workers and the community.

E-Sourcing Electronic Sourcing

E-TEAM Executive Team: Composed of the CEO and his direct reports.

F_____

FDA Food and Drug Administration

Foundation Statements Premier's foundational tenets, comprising Core Purpose, Core Values, Big Hairy Audacious Goal, Envisioned Future, and Core Roles.

FS Field Staff Employees who directly service the customer in the field and who are often in remote locations.

FT Full-time

FY Fiscal Year

G_____

GHX Global Health Exchange

GPO Group Purchasing Organization

GPS Group Purchasing Services

H_____

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HGPII Healthcare Group Purchasing Industry Initiative: Nine of the nation's leading GPOs, serving the majority of America's hospitals, have formed the Healthcare Group Purchasing Industry Initiative to promote and monitor best ethical and business practices in purchasing for hospitals and other healthcare providers. The goal of the Initiative is to assure ongoing adherence to published ethical and business practices.

HI Healthcare Informatics

HIGPA Health Industry Group Purchasing Association: A broad-based trade association that represents group purchasing organizations (GPOs) and their trading partners. HIGPA's group purchasing industry members include for-profit and not-for-profit corporations, purchasing groups, associations, multi-hospital systems and health care provider alliances.

HIPAA Health Insurance Portability and Accountability Act of 1996: Standards to protect the privacy of health information about individuals.

HQID Hospital Quality Incentive Demonstration: Three-year demonstration undertaken by Premier, the U.S. Centers for Medicare and Medicaid (CMS) and more than 260 volunteer hospitals to test the effect of financial incentives (bonus hospital payment) for superior performance on evidence-based indicators of clinical care quality. The HQID was the first pay-for-performance demonstration of its kind undertaken nationally. It employs Premier's evidence-based indicators of care quality and effectiveness and associated comparative reporting systems.

HR Human Resources

HRC Human Resource Consultants

I_____

IDP Individual Development Plan

IHI Institute for Healthcare Improvement: A not-for-profit organization driving the improvement of health by advancing the quality and value of health care.

IT Information Technology

ITGC Information Technology Governance Council

K_____

KPI Key Performance Indicators

L_____

LT Leadership Team comprised of the CEO, his direct reports and select unit leaders throughout the organization.

M_____

M/WBE Minority and Women Owned Business Enterprise

Members Collectively, the hospitals, health systems, and other care organizations that are either Owners or Affiliates of Premier.

N_____

NAICS North American Industry Classification System

NFPs Not for Profits Hospitals and diversified Health Systems

O_____

OR E-Team Meeting/Operational Review

OSHA Occupational Safety and Health Administration

Owner A not-for-profit hospital/health system organization that holds equity interest s in Premier (holding both shares of stock in Premier, Inc. and limited partnership interest in the Premier Purchasing Partners, LP. entity that operates group purchasing and supply chain services). In combination with Affiliates, Owners are alliance Members.

P_____

P Projected

PC Personal computer

PDCA Plan, Do, Check, Act

PEAK Team Performance Excellence Assessment and Knowledge Team: Oversees the Baldrige Criteria improvement opportunities and the annual Baldrige application development and assessment process, and shares knowledge among the operational roles in the organization.

PHD Premier's High-Performance Development Program for future leaders

PIMS Premier Insurance Management Services

PLI Premier Learning Institute

PLS Premier Leadership System

PME Process Matter Expert

PMI Project Management Institute

PMIS Process Management and Improvement System

PP Purchasing Partners

Premier Ideas Intranet portal through which employees may share their suggestions for improvement, comments, and questions, with response provided.

PT Part-Time

Pulse Survey See WE (Workforce Engage)

Q_____

QA Quality Assurance

QIP Quality Improvement Plan: Mutually established quality improvement plans with our Owners.

R_____

RD Region Directors

Risk Assessment Formal examination undertaken through the internal audit function annually to identify opportunities for improvement in business processes and controls.

RFI Request for Information

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RFP Request for Proposal

ROI Return on Investment

RVP Region Vice Presidents

S_____

SBE Small Business Enterprise

SCIP Supply Chain Improvement Plans: Mutually established supply chain improvement plans with our Owners.

Senior Leaders Comprised of the E-Team plus all Unit leadership teams.

Stockholder A Premier Owner acting specifically as a holder of the company's equity shares, for purposes such as electing the BoD.

SPP Strategic Planning Process

SRP Social Responsibility Program

Strategic Relationships Companies or organizations with which Premier has a formal working relationship to provide complementary or component services to Members.

SU Support Unit

Supplier Diversity Program Integrates inclusive diversity practices into Group Purchasing contracting areas and supports Premier Member use of minority, woman, veteran, and small business suppliers through Premier agreements.

SWOT Strengths, Weaknesses, Opportunities, and Threats

U_____

UNIT LEADERS Composed of the leadership for each unit.

UPN Universal Product Number

V_____

VBE Veteran Business Enterprise

VOC Voice of the Customer

VP Vice President

VTC Video Teleconference

W_____

WE Workforce Engage: Premier's employee satisfaction survey. Full WE survey conducted every two years with all employees and WE Pulse Surveys conducted quarterly with a random selection of 25% of employees.

Organizational Profile

P.1 - Organizational Description

P.1 a Organizational Environment

P.1 a(1) Premier is a healthcare strategic alliance entirely owned by not-for-profit (NFP) hospitals and health system organizations that operate both hospitals and other kinds of care services (our Owners). Premier is the second largest of the few nationwide alliances serving NFP healthcare. Our 200 Owners operate or are affiliated with approximately 1,500 hospitals (ranging from community hospitals to renowned referral centers) and thousands of non-hospital sites such as nursing homes and ambulatory centers.

Our Owners take part in Premier to share needed services and programs aimed at improving clinical quality and cost-effectiveness, locally and ultimately health industry-wide. We seek to provide them overall value combining returns of equity ownership with demonstrable results from their putting our services to use. Owners and Affiliates (together called alliance Members) are our primary customers. We understand that the savings and other improvements that we help Members achieve contribute to better, less costly healthcare in America.

Premier administers the alliance enterprise through which participants engage. We operate three Business Units (BUs) that deliver services to Members and other customers. The services are in these categories: group purchasing and supply chain management, insurance and risk management, and informatics and performance improvement (including comparative measurement and reporting systems, benchmarking, and best-practice transfer) (Figure P.1-1, next page). We focus on these categories because they benefit from alliance scale and links, they offer particular potential for measurable impact on quality and cost-effectiveness (addressing the core clinical processes of healthcare providers as well as high-expense areas such as supply chain and labor productivity), and their high synergy yields opportunity for performance improvement breakthroughs. We surround all with a broad framework of knowledge-sharing and improvement initiatives of many kinds.

Our group purchasing ranks first among all in the annual volume of goods ($25 billion) bought through group arrangements. Premier Insurance Management Services (PIMS) helps hospitals manage insurance costs and improve risk management and claims capabilities. Our comparative databases of healthcare performance indicators are the most comprehensive in the industry and are complemented by sophisticated resources for using their experience evidence to improve care and operations.

Premier and its Members have years of experience using evidence data to make improvement - individually and in collaborative work on targets such as heart attack patient outcomes. In 2004, we initiated a partnership with the U.S. Centers for Medicare and Medicaid Services (CMS) and more than 260 volunteer hospitals in a three-year project to demonstrate that Medicare payment incentives for superior patient care stimulate improved quality in five clinical areas. Initial results of this Hospital Quality Improvement Project (HQID), validated by CMS, are positive. They show that participating hospitals' quality scores improved markedly (Figures 7.1-4 through 7.1-7), and the spread between high and low narrowed. This initiative is providing us further opportunity to invent and test collaborative improvement approaches.

P.1 a(2) When Premier was created in 1996, our Owners and elected governing board (BoD) worked to formulate and begin embedding foundation tenets. They established what we call our Core Purpose, Core Values, Big Hairy Audacious Goal (BHAG) to be reached 10 to 30 years out, and Envisioned Future (detailed vision of future reality if our BHAG is reached). Added later were Core Roles, addressing Premier's specific mission components. Shared in-common with Owners, these foundations (Figure P.1-2) provide a common set of values that undergird our culture.

Figure P.1-2 Premier Foundation Statements

Core Purpose: To improve the health of communities.

Big Hairy Audacious Goal (BHAG): Premier's Owners will be the leading healthcare systems in their markets, and, with them, Premier will be a major influence in reshaping healthcare.

Envisioned Future (10-30 year goal):
Our founders crafted a detailed picture of a healthcare system and alliance at their best if we succeed in realizing our BHAG. They provide insights as to "how" we are to advance toward it by helping enable local improvement. Some excerpts:

- Across the nation, our Owners, physicians and other allies will lead the local transformations that are the building blocks of a reshaped healthcare system.
- Our Owners will operate at costs in the lowest quartile…and at quality levels in the highest quartile.
- Together…we will invent new and superior models for delivering health services, and we will leverage the size, linkages, and resources of Premier to deliver those services to more people, at a lower cost and higher quality.
- We will research and use the most effective and seamless clinical approaches to achieve superior health outcomes and increased value.
- Our competitive edge will be the unmatched ability to transfer and act on our collective experience and innovation.
- Our Owners will earn recognition as the most valued community resource for healthcare. As a result of their efforts, "Premier" will be viewed as the hallmark of quality and value that all others seek to emulate.
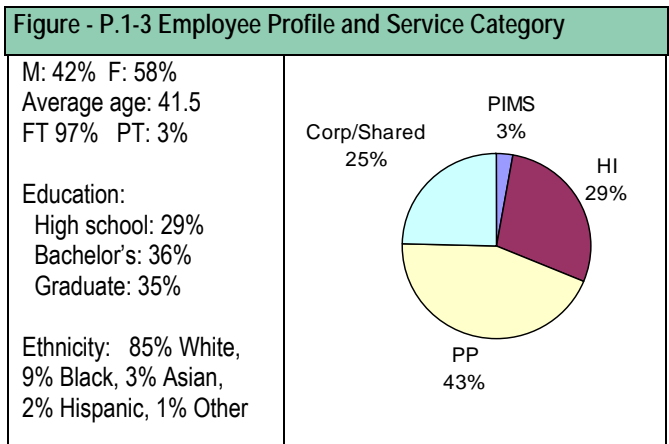
Core Roles:
- Create value for Owners
- Improve quality, reduce cost
- Facilitate knowledge transfer
- Improve organizational health
- Grow the enterprise
- Improve financial health

Core Values:
- *Integrity* of the individual and the enterprise.
- *A passion for performance* and a bias for action, creating real value for all stakeholders, and leading the pace.
- *Innovation:* Seeking breakthrough opportunities, taking risks and initiating meaningful change.
- *Focus on people:* Showing concern and respect for all with whom we work, building collaborative relationships with the community, our customers, co-workers, and business associates.

Figure P.1-1 Premier's Main Products and Services

BU	Product/Service	Delivery Method	Customer Group and Requirement	Major Competitor/ Market Position
Purchasing Partners (PP) Group purchasing and supply chain services	Group contracts through which healthcare buyers may purchase supplies, pharmaceuticals, and equipment at competitive terms	Direct. Standing access to contracts provided through electronic catalogs and systems. Contracted sellers provide purchased goods directly to Members holding group purchasing *participation agreements* with Premier.	*Member hospital/healthcare organizations* • Contract price, differentiated value (7.1) • Comprehensive, competitive portfolio (7.1) • Leading-edge technology and products (7.1) • High quality suppliers (7.1) • Effective contract launch ▪ Contract timeliness (7.5) ▪ Data accuracy (7.5) • Code of Conduct (7.6)	
	Professional/ technical support for purchasing/ supply chain improvement	Direct. Provided through Premier consulting/advisory staff, typically onsite. Supply Chain Improvement Plans (SCIP), collaborative work groups, educational meetings, studies.	*Member hospital/healthcare organizations* • Total Value (7.1) • Data, benchmarking, best practices (7.1) • Customer support and field expertise (7.1, 7.5) • High "touch"; involvement	
Healthcare Informatics (HI) Advisor Suite and performance improvement services	*Advisor Suite™* healthcare performance measurement and reporting system	Direct. Standing access to comparative. databases and associated tools through Web-based application	*All U.S. healthcare systems regardless of Premier affiliation, Government agencies (CMS), Pharmaceutical companies* • Data integrity, accessibility, and timeliness (7.1, 7.5) • Customer support (7.1) • HIPAA (7.6)	
	Advisory services: Professional/ technical support for performance improvement.	Direct. Provided through Premier consulting/advisory staff, and Performance Engineers, typically onsite. Rapid Improvement Portal	*All US healthcare systems regardless of Premier affiliation* • Savings/Return on investment (7.1) • Data, benchmarking, best practices 7.1)	
Premier Insurance Management Services (PIMS) Insurance and risk management	Management services for risk-bearing liability insurance company of some Owners (AEIX)	Direct. Premier furnishes executive and operations management for the company.	*Member hospital systems meeting minimum self-insured requirements* • Competitive pricing (7.3) • Broader policy terms and conditions (7.3) • Educational programs (7.1) • Loss mitigation (7.1, 7.3)	
	Sponsored insurance programs involving group arrangements with insurers	Group arrangements provided by Premier. Insurance coverage provided by insurers to Members consistent with group arrangements.	*Member hospital systems meeting minimum self-insured requirements* • Competitive pricing (7.3) • Broader policy terms and conditions (7.3) • Enhanced service offerings (7.1, 7.3) • Streamlined enrollment process (7.5)	

P.1 a(3) Currently, we employ 927 people in management, administrative and support, professional, and technical positions. We minimally engage contracted employees, and we have no organized bargaining units. Approximately 75 percent of employees perform their work in Premier office locations and 25 percent are "field staff" based outside our offices, providing support and liaison to multiple customers or engaged full-time at their sites. Average tenure is 5.6 years. The breakdown is 1-4 years, 48%; 5-9 years, 38%; 10+ years, 14%. Figure P.1-3 provides other employee dimensions. Safety and health requirements for employees include the normal considerations of workplace safety, ergonomics, and disaster preparedness.

Figure - P.1-3 Employee Profile and Service Category

M: 42% F: 58%
Average age: 41.5
FT 97%   PT: 3%

Education:
 High school: 29%
 Bachelor's: 36%
 Graduate: 35%

Ethnicity: 85% White, 9% Black, 3% Asian, 2% Hispanic, 1% Other

Pie chart: Corp/Shared 25%, PIMS 3%, HI 29%, PP 43%

P.1 a(4) We have office facilities in San Diego, Calif. (7 % of staff), Charlotte, N.C. (68 % of staff), and Washington, D.C. (<1% of staff). Employees, services, and Members are supported by a consolidated data and technology support center in Charlotte. Besides the substantial electronic systems required supporting a widespread employee, Member, and service base, we have developed proprietary technology unique to the products and services we provide. Principal examples are large comparative database systems and customized systems that automate group purchasing contract administration and connectivity between us, our Members, and Contracted Suppliers.

P.1 a(5) Except as described here, no special licensing, certification, registration, standards or accreditation requirements apply to us. Insurance activities are properly registered and licensed in required jurisdictions. Our comparative databases are operated to comply with the Health Insurance Portability and Accountability Act (HIPAA) of 1996, dealing with patient information. Our group purchasing organization (GPO) must comply with federal laws and regulations relating to handling of contract administrative fees. We not only comply with ethical standards of the Code of Conduct for GPOs developed in 2002 through the Healthcare Industry Group Purchasing Association (HIGPA), but exceed them in our own more detailed Code of Conduct (CoC). We are leaders in an additional, industry-wide initiative, to have universal ethical standards for GPOs adopted and adherence publicly reported. Though we are not subject to the many requirements affecting hospitals and other healthcare providers, we keep abreast of them and operate services consistent with customers' needs to comply, for example, with licensing and accreditation requirements, OSHA and FDA requirements.

P.1 b Organizational Relationships

P.1 b(1) Our Owners are stockholders in Premier, Inc. (PI) and simultaneously hold a limited partnership interest in our other main operating company, Premier Purchasing Partners, L.P. (PP) in which group purchasing and supply chain activities are operated. A wholly-owned subsidiary of PI serves as general (managing) partner of PP.

The President of PI is the employed chief executive officer (CEO) of the overall enterprise. Our CEO reports to the PI Board of Directors (BoD). Elected by our Owners, the 14 members of the BoD are 10 executives of Owner hospital/health systems, one executive of an affiliate group, two independent persons from backgrounds outside healthcare, and our CEO (the sole management director). These same members also serve as the Management Committee of PP. The BoD is assisted by three Board committees composed of directors:

The Committee on Directors encourages effective governance, reviewing and recommending policies relating to BoD functions. The Committee oversees formal bi-annual BoD assessment, administers the BoD compensation plan, and manages processes to address conflict of interest matters relating to the BoD. It is responsible for the nominating function -- identifying, evaluating and recommending BoD nominees -- and for recommending appointments to committees.

The Audit Committee supports Board oversight and responsibilities to stockholders and public. It oversees internal accounting systems and financial controls, the performance of independent auditors and internal audit function, auditors' qualifications and independence, management of Premier financial affairs, and Premier's compliance with ethics policies and legal and regulatory requirements.

The Compensation Committee provides framework and oversight for Premier's executive compensation program. It reviews and approves all compensation for Premier's CEO and conducts CEO performance evaluation. The Committee reviews and makes recommendations to the BoD regarding establishment and achievement of Corporate Goals related to executive compensation.

Senior executives of all business entities/units report to the CEO of Premier. They are not members of the BoD. The Ethics and Compliance Officer (ECO) reports directly to the BoD Audit Committee.

P.1 b(2) Premier's 200 Owners directly operate about 775 hospital facilities and hundreds of other care sites in 50 states. (The 775 are about 26 percent of the nearly 3,000 NFP, non-governmental, community hospitals in the U.S.) Another 700 hospital facilities and several thousand non-hospital care sites have affiliation arrangements (not involving equity ownership) with Owners and/or Premier for specified alliance services such as group purchasing. Owners and Affiliates compose our largest customer group.

Owner Membership is available only to NFPs typically not in local competition and meeting eligibility qualifications. Owner Member expectations relate to return on equity from earnings, election of directors, and access to the entire array of alliance offerings, specifically to include the fundamental of group purchasing. They also expect involvement in activities such as networking and knowledge-sharing and strong support in utilization of alliance resources. Affiliate Membership for non-Owners provides eligibility to use specific services as per terms of the affiliation arrangement. In general, only Owners and Affiliates are eligible for group purchasing and supply chain services and for insurance services. Owners, Affiliates, and all other U.S. hospitals and health systems are potential customers for HI services. (Non-alliance customers contribute not only scale and revenue but also expanded capacity for benchmarking.) Regardless of type, customer requirements for discrete services are similar (Figure P.1-1).

P.1 b(3) We have two kinds of supplier/partner relationships:
1. Contracted Suppliers: The approximately 750 manufacturers and distributors of goods and services that have entered into group contracts with us to provide them to our Owners and Affiliates.

2. Strategic Relationships: Organizations that partner with us to augment or complement our services for customers. Examples are Global Healthcare Exchange for electronic commerce, Zynx Health, Inc., for physician order sets and rules incorporated in Informatics services, Institute for Healthcare Improvement as a partner in knowledge-sharing projects, and CMS for our HQID project (P.1a-1).

Our requirements for each (and their requirements of us) are formally set forth in our CoC and customized contractual documents that also detail service arrangements, reporting, and communications. We sustain ongoing interaction through various means to refine unique services and delivery methods for our customers-in-common.

P.1 b(4) We communicate with our Strategic Relationships and Contracted Suppliers using common communication mechanisms such as direct on-site meetings, regular conference calls, supplier Web site, negotiation sessions, Contracted Supplier business reviews, e-mail and mailings, and our annual Breakthroughs Conference.

P.2 - Organizational Challenges

P.2 a Competitive Environment

P.2 a(1) Premier operates in the broad Group Purchasing Organization (GPO) market, and within that, the segment of GPOs operated by alliances. The broad market comprises 1,109 GPOs of diverse types. Seven are nationwide primary GPOs, serving approximately 85 percent

of the U.S. hospital market. (Additional information in this section has been blinded given its confidential nature)

P.2 a(2) Our success factors include the following:

1. **Specific array of alliance resources and services** offering demonstrable capacity to have significant impact on healthcare quality and cost-effectiveness. These must include group purchasing services superior in such key attributes as best pricing.

2. **Overall value created** for alliance participants through equity return and benefits (savings, etc.) from using alliance services.

3. **Ease and affordability** of entry and service access.

4. **Depth and scope in level of engagement** (and Owner choice in determining it). This includes extent of field support for alliance activities and utilization of services, and extent of networking, knowledge-sharing, and other collaborative activities.

A groundswell of calls for "pay-for-performance" is creating interest in our HI services. Insurers and other payers are seeking to relate provider payments to quality of patient outcomes. Premier's systems stand apart in capacity to measure them. Our HQID with CMS, employing our systems, is highly visible. Continued successful performance will lend credence to our offerings.

P.2 a(3) Adhering to the Code of Ethics of the Society of Competitive Intelligence Professionals for gathering and reviewing information, we benchmark performance and enlighten strategy-making with analyses vis-à-vis alliance organizations like Premier, other kinds of service enterprises of similar size, enterprises providing like services, and best-practice enterprises of all kinds. To obtain information, we engage assistance from companies such as KnowledgeSource, Inc., Sg2, Hoovers, TARP, Lumen Research, Watson/Wyatt, Mercer, and Portland Research and use search engines such as Factiva and Verispan. We use information from such sources as benchmarking studies, customer and supplier feedback, government, professional organizations, company annual reports and releases, and organizations such as AHA, IHI, and The Advisory Board. We study National Baldrige Quality Award recipients and engage with alliance Owners also committed to Baldrige criteria (including two previous Baldrige Award winners). Among the most difficult information to obtain but most critical is comparison of GPO product pricing, usually kept highly confidential, variable by customer volume and commitment, and disguised in transaction terms. Our methods for obtaining it have continuously improved.

P.2 b Strategic Challenges

P.2 b (Additional information in this section has been blinded given its confidential nature)

Figure P.2-1 Premier Process Management and Improvement System
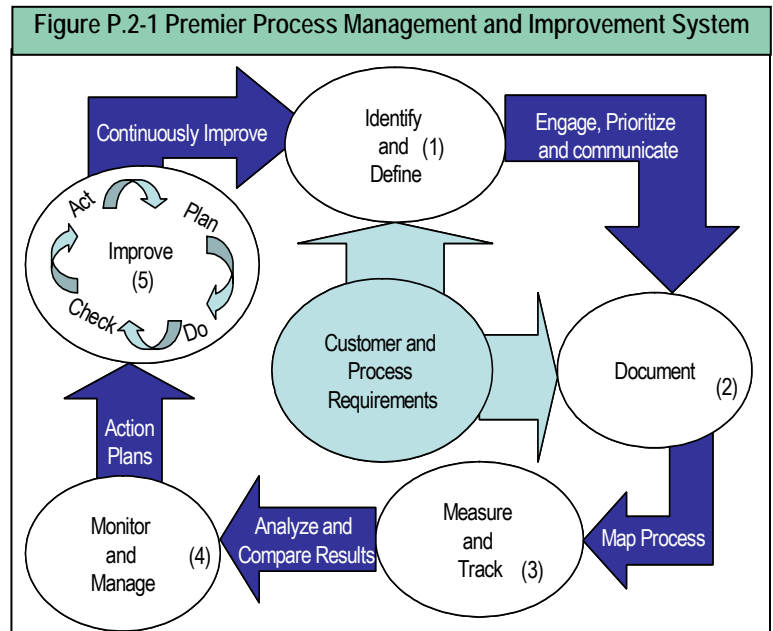
P.2 c Performance Improvement System

P.2 c We seek to continually enhance "how" we improve and learn, using Baldrige Criteria as our overall improvement framework. For five years, we have undertaken performance assessment vis-à-vis the Criteria by independent examiners and through our annual risk assessments. Efforts today reflect their feedback and our insight and commitment to improving. Our approach comprises the criteria and two main systems, the use of robust process improvement tools, and improvement plans and teams. The Premier Leadership System (Category 1) is employed consistently by all managers. Among its key stages is "improve, spread, and sustain." Supporting that stage is our Process Management and Improvement System (PMIS), described in Category 6, providing a systematic way to communicate, carry out, evaluate, and learn. (Figure P.2-1) In support of that system, we deploy Lean Six Sigma throughout Premier and provide related training for all employees. Additionally, our internal audit process validates improvement gains and identifies additional controls required to maintain gains and reduce performance gaps. Our cross-unit Performance Excellence Assessment and Knowledge (PEAK) Team coordinates corporate improvement activities overall including efforts to address opportunities revealed in Baldrige assessments. Figure P.2-2 demonstrates a few of the key improvements resulting from team work performance cycles, aligned with impacted Criteria categories.

Figure P.2-2 Premier Cycles of Improvement

Yr	Key Improvements Made	Leadership	SPP	Customers	M & A	HR & Work	PM
99	Initiated Business Line Reviews begun		✔		✔		
00	Integrated budgeting, SPP undertaken		✔				
	Added Contracted Supplier Website				✔		
	Integrated Baldrige Criteria; PEAK team	✔	✔	✔	✔	✔	✔
01	Updated goal structure	✔			✔		
	SU liaisons for BU Leadership Teams	✔					
	Social Responsibility Program begun	✔					
	Employee intranet board launched					✔	
	Premier Learning Institute added					✔	
02	Sarbanes-Oxley adherence undertaken	✔			✔		
	CoC approval and all employee training	✔					
	CEO/all-employee calls, "Connections"					✔	
	"Managing at Premier" launched					✔	
	SU, BU process alignment increased						✔
	Process mgmt system deployed						✔
03	BoD assessment process begun	✔			✔		
	SPP- "Line of Sight" goal project		✔				
	Relationship initiatives undertaken			✔	✔		
	Communications subteam formed	✔				✔	
	Job posting system implemented					✔	
	Disaster Recovery prog implemented				✔	✔	
	Process improvement tools added						✔
04	SPP revised to align org. activities	✔	✔				
	Employee ethics survey begun	✔					
	Business Intelligence group formed		✔	✔	✔		
	OR frequency increased		✔				
	Regional customer meetings update			✔			
	ASD learning sessions undertaken			✔			
	Supplier VPs added			✔			
	CLC restructured					✔	✔
	Business continuity plan implemented					✔	✔
05	Leadership provided for new HGPII	✔					
	Initiatives mgmt process formalized		✔				
	Value scorecard implemented			✔	✔		
	"Monday Minutes" begun	✔			✔		
	"Premier Ideas" begun				✔	✔	
	Cornerstone portal begun				✔	✔	
	Wellness program expanded					✔	
	Process matter experts identified	✔	✔	✔	✔	✔	✔
	Lean Six Sigma launched	✔	✔	✔	✔	✔	✔
06	IdeaScope begun in HI			✔	✔		
	Add'l Leadership Development program					✔	

1 Leadership

1.1 - Senior Leadership

1.1 a Vision and Values

1.1 a(1) Activities described in this section take place within the overarching Premier Leadership System (PLS) (Figure 1.1-1), used consistently by all Premier Leaders. Our purpose and values are its foundation; realizing our vision over time is its intent.

Premier's founders collaboratively established initial Foundation Statements, comprising Core Purpose, Core Values, Core Roles, Big Hairy Audacious Goal (BHAG or long-term goal), and Envisioned Future (Figure P.1-2). Subsequently, as our Strategic Planning Process (SPP) cycle begins yearly, Senior Leaders and BoD reevaluate their continuing appropriateness and consistency with expectations as base for strategy-setting (2.1a-1). Within the PLS, Senior Leaders deploy vision and values as follows:

1. **All employees (office and field-based) are engaged through formal activities** to embed and sustain Core Values. Features are a cross-functional Values Team to guide values-reinforcing activities, Intranet pages for values-related communications, annual Values Conference all employees attend, and annual recognition of employee winners of the Premier Award and Premier Team Award. Our highest internal recognition, the Premier Award is for exemplary demonstration of Core Values in job performance. The awards process affords all opportunity to consider values, reflect on associated behaviors, and appreciate relevance to work. Senior Leaders instituted our values program two years after Premier's founding through mergers of three predecessor organizations with disparate cultures. Action was needed to help employees forge a new culture and feel confident in it. Senior Leaders called a first-time Values Conference of employees that proved pivotal. Employees engaged with Senior Leaders in analyzing Core Values and their application. Employees put their stamp on our values statements with additions of "focus on people" and "innovation."

2. **We link vision and values directly to employee goal-setting, performance evaluation and rewards.** Senior Leaders provide clear "line of sight" in planning/budgeting for employees - from Envisioned Future and BHAG to Core Roles and Corporate Goals to unit goals and individual responsibilities (2.2a-1). Compensation and recognition align to goal achievement. Performance evaluations include review of values-based behaviors. Senior Leaders use our values-based rewards and recognition program to personally support and reward individual and team-based behavior through our Employee Choice Awards, unit rewards and Premier awards programs (Figure 5.1-3).

3. **We fully engage with key customers in setting strategic direction and ensuring vision and values consistency,** since most customers are also Owners. Inputs are sought and acted on in annual evaluations of Foundation Statements and in strategic planning. Reports to Owners at their formal bi-annual meetings track plans and performance directly back to Envisioned Future and Core Roles. Vision, values, and strategies are frequent agenda topics at other customer meetings.

4. **We ensure that Contracted Suppliers entering into group purchasing contracts understand and act consistent with our values** and CoC surrounding purchasing of goods (1.2b-2).
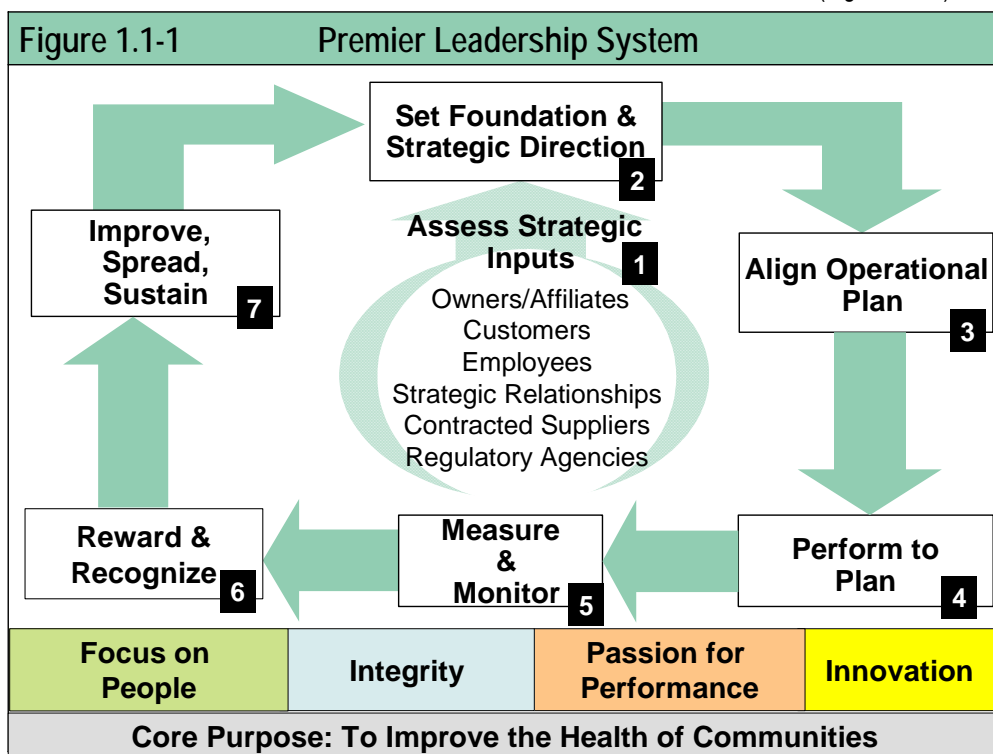
5. **Our Senior Leaders model vision focus and values-based behavior personally and in organizational decision-making.** Our values are embedded in all organizational practices. We use values as a foundation for hiring employees, coaching and mentoring employees, and continued development and decision making. Leaders are visibly involved in values-based activities.

6. **We measure values adherence and seek to improve.** Regular external surveys of Owners rate our performance in working in accord with Core Values. Employee surveys provide similar rating of Senior Leaders (Figure 7.6-6). All employees are evaluated during their performance reviews on Core Values-based Core Competencies and expected behaviors. All such measurements are used in devising improvement plans.

1.1 a(2) Senior Leaders communicate values (our key beliefs) and ethics (how we act) to foster an atmosphere of legal and ethical behavior. Our personnel policies set forth the requirements and expectations, and employee orientation and training programs reinforce them. Moreover, our Senior Leaders have established (1) clear, detailed codes of business behavior that all employees at every level must follow; (2) processes to ensure and monitor adherence; and (3) resources to support the processes and employee training (1.2b-2) (Figure 7.6-9).

Detailed behavior expectations are documented in personnel policies, our Code of Conduct (CoC) surrounding our provision of group purchasing services,

Figure 1.1-1 Premier Leadership System

Set Foundation & Strategic Direction **2**

Assess Strategic Inputs **1**
Owners/Affiliates
Customers
Employees
Strategic Relationships
Contracted Suppliers
Regulatory Agencies

Improve, Spread, Sustain **7**

Align Operational Plan **3**

Reward & Recognize **6**

Measure & Monitor **5**

Perform to Plan **4**

Focus on People | Integrity | Passion for Performance | Innovation

Core Purpose: To Improve the Health of Communities

and our Business Conduct Guidelines (BCG). The CoC is an example of Premier's modeling ethical behavior corporately. Its development was our proactive effort to provide public assurance and transparency regarding products chosen for in patient care. While taking part with other GPOs in developing a basic industry code through the Healthcare Industry Group Purchasing Association (HIGPA), Premier voluntarily went much further. We commissioned a respected external business ethicist to independently identify best ethical standards for companies operating healthcare group purchasing services and to provide us recommendations relating to policies and processes, which we implemented with involvement of our entire work force. Recognized as a high-ground benchmark, our CoC encompasses HIGPA Code provisions and goes beyond, applying to all of Premier (including non-GPO activities) and all employees, to ensure our actions are free of interest conflicts and fair to all stakeholders. In 2005, our efforts helped stimulate creation of the Healthcare Group Purchasing Industry Initiative (HGPII), a voluntary association of healthcare GPOs to encourage and sustain best ethical and business conduct practices, transparency and accountability. Premier's CEO was extensively involved in this initiative's development and is the first chairman of its Steering Committee.

1.1 a(3) The following processes and practices used by Senior Leaders contribute to sustainability:

1. **Financial planning for sustainability.** Senior Leaders forecast future operating performance and specifically review future yearly BU forecasts as part of standard annual BLRs and incorporate those forecasts into monthly cash flow modeling to ensure sustainable financial performance (2.1a-2).

2. **Using consistent "forward-looking" strategic/operational planning and deployment systems** (2.1a-1 and 2.1a-2). While looking toward an Envisioned Future that stretches to 2020 and beyond, Senior Leaders guide strategic planning in three-year segments intended to lead step-wise toward our long-term BHAG. As part of the SPP, with the BoD, they develop a "picture" of the environment three years out that will affect healthcare, customers and Premier. Significant to that are inputs from Owners (shared directly with leaders during CEO interviews) and other stakeholders as well as analyses of market environment and prior performance. Senior Leaders and BoD are thus better able to frame requirements of the next Base Camp (level of achievement) needed in order to launch the next stage of progress toward our BHAG. That understanding lays the groundwork for establishment of Strategic Priorities, Corporate and BU goals and Initiatives to meet future conditions and enables timely course corrections. SPP scenario planning is used to understand potential impacts to business and enables Senior Leaders to plan for threats and leverage opportunities. Such planning processes support not only sustainability with their looking forward, but also agility by providing consistent understanding of our directions, the basis for them, and the need to adjust rapidly when indicated. This understanding also empowers employees to make work decisions with confidence of consistency with directions and strategies.

3. **Setting an expectation of performance excellence, learning, and continuous improvement -- and providing the required resources.** Senior Leaders committed to adopt Baldrige Criteria as one foundation for sustainability and commit resources to assessment and improvement with respect to them. Senior Leaders seek learning from experience and measurement, for example, in goal attainment levels, annual Baldrige assessments, customer satisfaction surveys, and employee surveys. Process improvement teams are routinely deployed for continuous improvement based on those learnings. Senior Leaders also promote

individual employee learning with significant investment in educational opportunities through Premier Learning Institute (PLI), seminars, and educational cost reimbursement. Managers work with employees to determine individual development and growth opportunities. Senior Leaders encourage employees to participate in improving organizational performance and use the annual Values Conference as one forum for surfacing potential improvements (1.1b-1). The feedback system, Premier Ideas, is used to elicit employee ideas (5.1a-3) (Figure 7.4-8).

4. **Ensuring development of future leaders.** Senior Leaders together identify, assess, and plan for development of future leaders. They ensure prospective successors are prepared by creating development strategies for each candidate. The Premier Talent Pipeline and the High-Performance Development (PHD) program aims at growing capabilities of future leaders (5.1c-3) (Figure 7.4-9).

5. **Ensuring continuing progress in overall workforce development** (Item 5.2). Improving organizational health is one of our Core Roles (Figure P.1-2) (Figure 7.6-2) and our related strategic priority is "to create an innovative, values-driven culture that delivers high levels of business performance."

6. **Ensuring the continuous availability and security of information systems**, critical not only to Premier operations but also to the hospital/healthcare organizations depending on them (4.2a-3) (Figures 7.5-4 and 7.5-5).

7. **Identifying priority areas for innovation and providing support for trying new approaches through goal-setting and budgeting.** Our Foundation Statements (Figure P.1-2) clearly set forth expectations of innovation. Accordingly, Senior Leaders encourage and incorporate into the SPP development of new approaches to meet goals. Our goals are measured using *threshold, target, stretch* levels, and empower employees to determine "how" to reach goals. To reach "stretch" level (50% probability), employees must apply innovative efforts. One example of innovation is development of our comparative database systems and application of them now in the HQID project with CMS (Figures 7.1-4 through 7.1-7).

1.1 b Communication and Organizational Performance

1.1 b(1) Our communications processes aim to: (1) ensure employees have information they need to accomplish work and decision-making expeditiously and confidently; (2) motivate and recognize progress toward goals and exemplary performance; (3) foster understanding of changes in circumstances or tactics; (4) ensure managers are aware of any workforce concerns; and (5) continually affirm Core Values and other foundation tenets. Our processes and practices include an organized system of internal communications upon which employees have come to rely, processes for ad hoc communications when needed, and special activities (such as our annual Values Conference) providing opportunity for interaction and recognition. Carried out within our PLS, these are supported by our "open door" environment.

The organized system of internal communications and interaction includes quarterly all-employee conference calls with our CEO and other Senior Leaders, BU All Hands meetings among leaders and employees, distribution of weekly e-mail Monday Minutes to all employees, and maintenance of our comprehensive internal employee Web site (InsidePremier) providing news, reference information, and work-related tools. Our quarterly CEO and BU All Hands meetings provide employees opportunity to hear from leaders about such topics as goal updates, customer success stories, innovative product

development, and industry events. Calls provide employees opportunity to ask questions on any topic including strategy, action plans, customers, and business results (Figure 5.1-1).

Periodically, Senior Leaders also use an ad hoc communication process to inform employees promptly of events and circumstances arising between scheduled activities. As needed, Senior Leaders involve communications staff in specific plans for audience, channel, sequence, and follow-up for questions. Special activities include the annual Values Conference for all employees including field staff, providing opportunity to recognize and celebrate values-based behaviors with the Premier Award. The conference exemplifies how involvement, motivation and two-way employee communication occur. It enables employees to come together to reinforce Core Values, share knowledge, network, and interact informally with leaders and invited customers. Two-way dialogue is encouraged and sustained throughout the year through our cross-functional Values Team and related improvement activities. The conference also provides opportunity to identify company-wide improvements to the reward structure, performance management system, work/life balance benefits, and corporate social responsibility. A post-conference survey via Monday Minutes elicits feedback.

Our "open door" environment encourages employees to meet with management at any level to resolve issues. Moreover, employees who wish to challenge decisions made by their managers can work with their designated Human Resources Consultant (HRC) or the next higher level of management (5.1b). Also, Senior Leaders empower employees to raise issues of concern around potential policy or ethical violations through multiple channels (1.2b-2) (Figure 7.6-7).

Our CEO personally presents Premier Awards recognizing values-based behaviors in work, Team Awards, and the Turtle Award during the Values Conference; Senior Leaders are first to congratulate winners. The Premier Team Award (based on our Core Values and American Society for Quality team award criteria) recognizes project teams obtaining significant results while embodying Core Values. Nominations are submitted and reviewed by employees, and winning examples and other values success stories are publicized on InsidePremier and celebrated in employee gatherings. The Turtle Award celebrates an employee's "sticking neck out" at some risk to pursue a desired outcome, regardless of ultimate success. Senior Leaders also present Employee Choice Awards (ECA) throughout the year to recognize values-based behaviors of both individuals and teams. Senior Leaders are active in employee recognition and reward at the BU level, personally presenting BU awards annually during All Hands meetings. In combination with employee incentive compensation programs, these award processes are strong performance motivators (Figure 5.1-3).

Our SPP motivates performance and customer-focus. It sets major strategies and goals for outcomes, while action plans to accomplish are left largely up to units, departments, and project teams (2.2a-1). For example, PP field staff are provided customer savings targets each year, and they work directly with customers to create a customized Supply Chain Improvement Plan (SCIP) based on the customer's improvement objectives. All field staff are trained to address customer concerns directly when possible.

1.1 b (2) Senior Leaders create focus on action and balance value through the SPP, our incentive goals, and our organizational performance reviews (4.1b-1). Premier's Core Roles provide a balanced scorecard framework that translates our strategic objectives into a coherent set of performance measures. Corporate Goals are set directly

to address each of the six Core Roles (Figure P.1-2), which together reflect a balanced scorecard of value for Owners, improvement in healthcare quality and cost, knowledge transfer, enterprise growth, organizational health, employees, and financial health. Further, Premier has advanced in recent years to set key long-term incentive goals on the basis of results achieved by Owners/customers, as opposed to measuring our efforts alone. Senior Leaders' systematic performance monitoring concentrates on closing gaps between actual results and goals. When necessary, Corporate Initiatives and associated action plans are identified and improvement teams are deployed to ensure gaps are closed. Timely "Traffic Light Reports" of Corporate Goal progress are made available by InsidePremier and other means and are regularly reviewed with employees and BoD at their meetings, in conjunction with improvement plans to address any gaps (Figure 7.6-1).

Our performance review processes providing visibility and accountability for goal-aligned action plans take place during monthly E-Team/Operational Reviews (ORs). The monthly OR is the platform where key findings from corporate and unit level reviews are elevated so Senior Leaders can effectively work together to address gaps – for example, to commission improvement initiatives and teams, plan cross-unit efforts, and allocate needed resources. The focus on gaps and strategies to close them in a timely way helps us sustain high performance and anticipate potential future issues (2.1a and 2.2a).

1.2 - Governance and Social Responsibilities

1.2 a Organizational Governance

1.2 a(1) Our Board is elected by Owners to oversee management and conduct of Premier by its CEO and other Senior Leaders to enhance the long-term value of the enterprise within context of vision and purpose. In so doing, the BoD follows detailed policies of the Board Reference Manual, reviewed annually with existing and new Board members. Seeking best standards, our BoD committed Premier to voluntarily adopt relevant governance best practices of the Sarbanes-Oxley Act of 2002, although compliance is not legally required for enterprises such as ours. These standards are reflected in BoD committee charters and corporate policies, procedures, and practices (Figure 7.6-4).

Accountability for management's actions and fiscal accountability. The BoD holds our CEO accountable for performance and compliance. The Audit Committee oversees financial reporting and controls consistent with Sarbanes-Oxley Act standards. The CEO and Chief Financial Officer (CFO) must certify accuracy of financial statements. Policies call for forfeiture of incentive compensation by the CEO and executives reporting directly to the CEO in the event of restatement of financial reports as a result of material noncompliance or misconduct. Annually, an independent auditor, Ernst and Young, is engaged to audit financial statements. Monthly financial metrics are monitored by the BoD. Our budget and forecasting process ensures fiscal accountability by unit. A separate independent auditor (KPMG) performs internal audit functions including an annual risk assessment that identifies opportunities for improvement in processes and controls. These opportunities are reviewed by the BoD, and action plans are undertaken by management. The Risk Assessment also examines adherence to governance policies.

Transparency in operations and selection and in disclosure policies for Board members. In connection with BoD evaluations, implementation of Sarbanes-Oxley and Code of Conduct standards and otherwise, the BoD has substantially broadened the transparency of its organization and operations and put focus on appropriate disclosure in recent years.

With respect to BoD disclosures, directors comply with formal conflict of interest policy and procedures. Board members submit annual Disclosure Statements reporting any conflicts of interest and recuse from deliberations potentially presenting conflict. We give priority to transparency so that hospitals and their communities have sufficient information to assess appropriateness of the Premier alliance they take part in and those services we provide (such as group purchasing) that have impact on patient care. Accordingly, Premier makes comprehensive information publicly available on our external Web site. With respect to governance, the Web site provides a list and biographies of BoD members, their meeting attendance, their conflict of interest policy, major governance processes and practices, and Board Committee members, charters, and reports. Among other information posted are our annual report and financial summaries, Code of Conduct (and our compliance with it) and Business Conduct Guidelines, guidelines for group sourcing committees, information about Premier relationships with group purchasing suppliers and Premier equity investments, if any. Detailed reports of BoD decision-making and BoD committee activities are further directly provided at twice-yearly meetings of Owners and through other regular communications. These reports include status of goal achievement, financial performance, and policy matters.

The BoD Committee on Directors nominates candidates (on established publicized criteria) for Board election, by Owner/shareholder vote. Owners are encouraged to recommend candidates to fill vacancies on the Board, communicated in advance of the nomination process. In considering nominations, this Committee enlists the participation of non-Committee representatives from among Owner organizations.

Independence in internal and external audits. BoD policies establish requirements for annual independent third-party audit and internal audit function. We ensure independence in internal and external audits by adherence to best practices of the Sarbanes-Oxley Act such as engaging two different companies to provide internal and external auditing, having auditors report directly to the Audit Committee, prohibiting certain non-audit services that may impair auditor independence, requiring pre-approval for non-audit services performed by auditors, and requiring regular auditor rotation (Figure 7.6-8).

Protection of stakeholder interests. A key way we protect interests of Owners is Premier's voluntary adherence to relevant standards of the Sarbanes-Oxley Act of 2002, which requires many precise, detailed practices and policies for that purpose. Also, we adhere to the CoC. Our independent internal auditor conducts annual risk assessments identifying opportunities for improvement in business processes and controls, as well as adherence to policies. When opportunities are identified in this and regular audits, we carry out specific improvements with Audit Committee oversight. The Audit Committee monitors Sarbanes-Oxley and CoC compliance (Figure 7.6-8)

1.2 a(2) Board evaluation and improvement. The BoD undertakes formal evaluation every two years to assess effectiveness of members individually and the Board collectively. Evaluation is managed by the Board's Committee on Directors with support of an independent external consultant. Evaluation includes a multi-source feedback process. Identified concerns or performance gaps are addressed with the BoD and individual members as appropriate. Improvement activities are undertaken and progress monitored by the BoD. A significant commitment to improvement was the BoD's decision to adhere to best standards of the Sarbanes-Oxley Act. Also, the BoD directed that survey questions regarding its performance be included in our annual

"customer" surveys of chief executives of Owner organizations (Figure 7.5). Analysis of initial 2004 survey results led the Board with Senior Leaders to continue improvement activities such as increased transparency of detailed Board reports and agendas. (Figure 7.6-5)

CEO and Senior Leader evaluation. The Compensation Committee of the BoD conducts the performance and compensation evaluation of the CEO consistent with our CEO Evaluation Policy. The process includes a CEO self-assessment, a multi-source feedback appraisal administered by an independent third-party consultant who collects confidential input from the BoD chair, Committee chairs, and CEO direct reports, and may include performance input from other BoD members and Owners. The evaluation includes analysis of corporate achievement on annual and long-term goals. Outside consultants provide a competitive compensation analysis. The Committee, in consultation with the BoD Chairman, considers this analysis together with multi-source appraisal and goal performance results to determine performance and compensation recommendations made to full BoD. Performance evaluations and compensation decisions for other executives are conducted by the CEO at fiscal year-end. Their individual performance and leadership competencies are evaluated on several factors including accomplishment of expectations and multi-source feedback (360-degree review with feedback from peers, subordinates, customers and CEO). After performance data and inputs are collected, reviews are held with individual executives to discuss performance results, strengths and opportunities. Development opportunities are identified for each and improvement plans created. Trends are monitored and used to identify leadership development needs. The Senior VP of HR assists the CEO in addressing leadership strengths and needs through a systematic talent and succession planning process. Results are reflected in an organizational capabilities report and reviewed annually by BoD (5.1c(3)) (Figure 7.4-9).

1.2 b Legal and Ethical Behavior

1.2 b(1) We identify emerging public concerns and potential adverse effects relating to our activities formally through our environmental scanning and strategic planning processes (2.1a-1), through operation of our Washington, D.C., advocacy office which monitors arising issues, and informally through means from customer feedback to industry interactions. Our planning includes ways to address them. Some of our responses, deployed with sustaining resources, are described below.

We expect public interest to continue with respect to ethical and equitable purchasing of supplies used in healthcare and timely access to new medical technologies. We moved proactively before others to provide public assurance in these areas by seeking out best GPO practices and embedding them in our CoC. Recognizing that our individual response by itself is not sufficient to address interests spanning the overall GPO industry segment, we have made our ethics expert's best practice recommendations freely available for use by all GPOs. We stimulated and now continue as leaders in the HIGPII, an effort among the nation's foremost GPOs to adopt and publicly report on a regular basis their adherence to an in-common set of ethical practices. Specifically to address new, superior medical products, we maintain a Technology Breakthroughs Program, started in 1997, to seek them out and evaluate their appropriateness for group contracting. Each group purchasing contract we sign has a "technology breakthrough" clause permitting us to contract additionally with others for such products identified. Our Supplier Diversity Initiative provides special help and contracting opportunities for small, minority, and women-owned businesses (Figure 7.6-3).

We expect ongoing interest in the safety of patients and healthcare workers, involving such matters as medication errors, infection control, hospital disaster preparedness, product safety, and needlestick protection. Besides including fundamentals such as FDA approval in our contracting requirements, we maintain the Premier Safety Institute. In addition to serving as a resource for group contracting and early warning system for safety issues, the Institute's public-service Web site is an in-depth source of information, education, tools, and interaction for healthcare providers dealing with safety matters. Made freely available to providers worldwide, the site gets more than 3.5 million "hits" a year (Figure 7.1-8).

We also expect ongoing public interest in environmental protection. We are particularly sensitive to environmental impact of products and processes employed in healthcare. In addition to environment-related fundamentals in our contracting requirements, we operate an Environmentally Preferable Purchasing program to support environmental protection goals of both alliance Members and Contracted Suppliers. Moreover, in response to concern that nationwide resources are limited for medical waste management, Premier has supported with investment the development of Healthcare Waste Solutions, L.L.C. to field additional solutions for hospitals and other providers.

Figure 1.2-1 shows our key processes for achieving and surpassing legal and regulatory requirements and addressing risks.

1.2 b(2) We promote and ensure ethical behavior by providing clear expectations and detailed requirements, modeling ethical behavior corporately, maintaining an Ethics and Compliance function for support [with an Ethics and Compliance Officer (ECO) reporting directly to the Audit Committee of the BoD], and closely monitoring adherence.

Figure – 1.2-1 Key Transparency, Compliance & Risk Processes	
Key compliance processes	Goals
Safe Harbor Compliance	• 100% Safe Harbor Owner reporting
Sarbanes-Oxley Compliance	• 100% completion of implementation *only applicable sections
Ethics and Compliance	• 100% Premier CoC compliance • 100% GPO compliant • 100% Compliance to HIPAA regulations • 100% Contracted Suppliers receiving Premier CoC • 100% employees signed Premier COI • 100% employees trained in Premier CoC
Key risk processes	Goals/Measures
Internal Risk Assessment	• 100% completion of internal audit plan (7.6) • 100% action plan completion for internal audit findings (7.6)
Financial Audit	• 100% annual unqualified opinion on financial statements (7.6-7)

The processes surrounding our CoC (also a risk management and compliance process) and BCG are ways we ensure ethical behavior (Figure 7.6-9). CoC requirements protect against conflict of interest in group contracting and involve contracting practices and interactions among employees, non-employees taking part in decisions, Contracted Suppliers, and customers. For example, to comply with the CoC:

1. Before seeking a contract bid, we establish the level of contract administrative fee Premier is to receive from the awarded bidder(s). The requirement is the same for all bidders and thus has no influence on decision-making.

2. We require that no Premier employee hold an equity interest such as stock in companies that contract with us or are likely to. We monitor employees' required divestitures of equity where required to comply.

3. We otherwise require and have processes to support formal disclosures of all dualities of interest (relating to equity and not) and appropriate recusal for all employees, Board members, non-employee representatives of Owners and Affiliates taking part in our sourcing committees, and outside experts assisting our decision-making.

To engage Contracted Suppliers, we incorporate our CoC by reference in all group purchasing contracts. Our Internet-available handbook, Achieving Our Mutual Success, A Guide for Prospective and Contracted Suppliers, furnishes comprehensive conduct guidelines based on our Core Values and Code of Conduct. Adherence to supplier guidelines is fundamental in contract negotiations and subsequent supplier reviews. Our dedicated Supplier Vice Presidents engage with Contracted Suppliers through mini Accelerated Solutions Environments (ASDs).

In engaging employees, we require that our BCG and COC are parts of orientation and annual education for all employees (including Senior Leaders). The BCG also provides guidance for employees in handling confidential information of Premier, our customers, and suppliers, and new employees are required to acknowledge confidentiality requirements. Our ethics-related publications and tools are freely available on our Web sites. Ethics tenets are regularly affirmed in management-employee conferences of various kinds.

To help measure adherence, an external vendor provides the anonymous reporting channel *GuideLine*. In 2003 following CoC implementation, we asked a third-party accounting firm to certify our compliance and recommend improvements. Our Vendor Grievance process gives Contracted Suppliers a way to report concerns, providing for any grievances to be reviewed, responded to, and used in improvement. Our Workforce Engage (WE) survey and employee ethics survey evaluate how employees perceive leadership behavior relative to Core Values and ethics. Regular surveys of Owners ask for rating of our behaviors relating to values and ethics (5.3b-3).

To deal with breaches, our ECO ensures that procedures are in place to investigate reported or suspected violations of our CoC or BCG. The ECO reviews all credible reported incidences to determine whether an incident should be examined further. The ECO also ensures that reports are fully and fairly investigated to the extent possible and that violations are appropriately addressed or referred to the Audit Committee. Records of all reported incidences, status, and ultimate resolution (including disciplinary action up to and including dismissal) are maintained and reported to the BoD, Audit Committee and other stakeholders in an annual CoC Compliance Report (Figure 7.6-7).

In addition to the CoC adherence process in Figure 1.2-1, Figure 1.2-2 shows other key ethics-enabling processes.

1.2 c Support of Key Communities

1.2 c We seek to further our Core Purpose – to improve the health of communities – not only through products and services but also in work life and enterprise involvement. As framework, we sustain a Social Responsibility Program (SRP), begun as an employee's suggestion at a

Figure - 1.2-2 Ethics Processes and Measures	
Processes	Measures
Employees making required Conflict of Interest (COI) disclosures	% Compliance (100% Target) (7.6)
Employee evaluation of ethical, value-driven behavior	Survey score versus benchmarks (7.6)
Owner/Member evaluation of Premier employee's value driven behavior (Integrity, Innovation, and Passion for Performance)	Survey score versus benchmarks (7.4)

Values Conference and now an employee led program. The SRP's development included consensus-building that our key communities of focus are (1) communities in which our employees live and work; (2) the healthcare community at large; and (3) related industry and professional associations and groups. We categorize our support as (1) community service (employee volunteerism), (2) employee giving campaigns; (3) community healthcare and health education; and (4) professional society membership. Detailed policies and processes assure efficiency and measure involvement and impact (Figure 7.6-11).

Premier and its Senior Leaders promote an environment of social responsibility. We encourage direct community service (individual and team) by providing employees paid time off for volunteering, donating $50 to registered charities for every eligible four hours an employee volunteers, sustaining a SRP Web site to share volunteer opportunities and volunteerism stories, and offering corporate match for employee United Way contributions. We pay required dues in up to two professional organizations for each employee. Senior Leaders lead by example. Employee volunteerism includes such activities as Habitat for Humanity, blood drives, school mentoring, and monthly "Jeans Days" to raise money for charitable organizations (Figure 7.6-10).

Annually, we recognize not-for-profit organizations across the country that are innovating in meeting needs of the medically underserved. Through application and independent judging, we select a winner of the Monroe E. Trout Premier Cares Award and runners-up. We provide them unrestricted cash awards, publicize their achievements, and by sharing their stories, encourage emulation. Similarly, to recognize and to locate and spread best practices, we annually provide the Premier Quality Award to hospitals achieving top performance in five clinical areas, as scored by our comparative data systems (7.6-13).

Created in response to 9/11/01 events, our Disaster Support Team mobilizes to support our Members affected by large-scale emergencies. The team coordinates with our Contracted Supplier to assure shipments of needed supplies. It most recently provided support to approximately a dozen hospitals in last fall's Gulf Coast hurricanes.

Some of the improvements we have made to our governance and social responsibility systems are listed in Figure P.2-2..

2 Strategic Planning

2.1 - Strategy Development

2.1 a Strategy Development Process

2.1 a(1) Enterprise-wide, our PLS (Figure 1.1-1) provides for Senior Leaders and BoD to establish long-term and short-term directions and performance expectations. This responsibility is carried out through the Premier Strategic Planning Process (SPP) in Figure 2.1-1.

Soon after Premier was created in 1996, we sought out best planning practices to help design a planning framework customized to our particular kind of organization, the Core Purpose we share with our Owners, our specific Core Roles, and a BHAG and vivid Envisioned Future involving not just our organization but our Owners' organizations and overall healthcare as well (Figure P.1-2). The result is our Hoshin-inspired SPP, including elements of development and deployment. The plans resulting from the SPP and our successful execution of them are intended over time to make real the BHAG that "Premier's Owners will be the leading healthcare systems in their markets, and, with them, Premier will be the major influence in reshaping healthcare."

The SPP is a continuous cycle balancing and organizing long-term and short-term strategies and providing enterprise-wide linkage and alignment. Its practices include outcome-oriented goals, emphasis on closing gaps between targeted and actual achievement, and early identification of strategic challenges and need for mid-course correction.
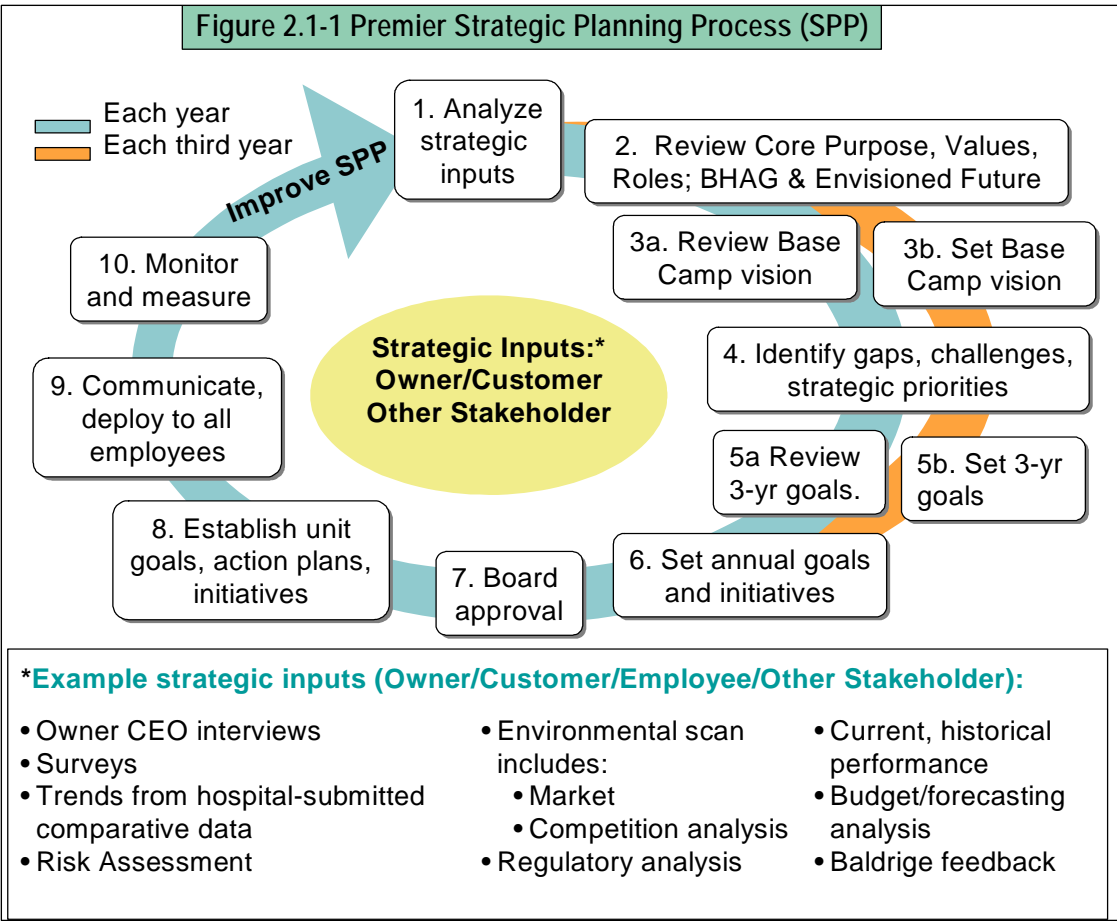
From current-day to BHAG is the ultimate "gap." We divide our journey toward closing it into three-year planning cycles marked by a Base Camp. Each Base Camp has a set of Three-Year Corporate Goals that when achieved advances us to the next three-year planning cycle, each building on the previous. For each three year cycle, we then set Annual Corporate Goals to advance stepwise toward the Three-Year Goals. Goals are stated in terms of desired outcomes and cascaded in whole or part to units, which develop action plans to accomplish them. The following describes the process steps and participants:

Step 1. Stakeholder, external, and internal inputs are collected and analyzed year-round and utilized during annual BLRs (Cat.3).They are reviewed by Senior Leaders during monthly ORs and by unit leaders during monthly Unit Leadership Team meetings. Many of the same structures and tools that support performance review also support the ongoing discussion of strategy development and alignment (4.1b-1).

Step 2. At least annually, Senior Leaders and BoD review Core Purpose, Core Values, Core Roles, BHAG and Envisioned Future set by our founders (Figure P.1-2), to ensure their continuing relevance and provide further insight for strategy-setting.

Step 3a/3b. Before setting Three-Year Corporate Goals, Senior Leaders and BoD iteratively agree on a Base Camp description ideally to be realized by the end of that three year cycle. In the second and third years, the Base Camp is revisited, to ensure continuing appropriateness. Base Camp descriptions have foundation in ongoing analysis of strategic inputs earlier described (from many sources and stakeholders) as well as structured interviews and group discussions among CEOs of Owners, eliciting their views of the future healthcare landscape and their priorities in addressing it. In general, Base Camps portray the kinds of attributes and capabilities Premier will need by the end of Year Three in order to undertake the next three-year cycle.

Figure 2.1-1 Premier Strategic Planning Process (SPP)

Legend:
- Each year
- Each third year

Improve SPP

1. Analyze strategic inputs
2. Review Core Purpose, Values, Roles; BHAG & Envisioned Future
3a. Review Base Camp vision
3b. Set Base Camp vision
4. Identify gaps, challenges, strategic priorities
5a Review 3-yr goals.
5b. Set 3-yr goals
6. Set annual goals and initiatives
7. Board approval
8. Establish unit goals, action plans, initiatives
9. Communicate, deploy to all employees
10. Monitor and measure

Strategic Inputs:*
Owner/Customer
Other Stakeholder

***Example strategic inputs (Owner/Customer/Employee/Other Stakeholder):**
- Owner CEO interviews
- Surveys
- Trends from hospital-submitted comparative data
- Risk Assessment
- Environmental scan includes:
  - Market
  - Competition analysis
  - Regulatory analysis
- Current, historical performance
- Budget/forecasting analysis
- Baldrige feedback

as part of ongoing business monitoring and scenario evaluation during BLRs. Strategy and performance review during monthly E-Team/OR meetings (Figure 4.1-1), as well as customer feedback from our Listening and Learning Methods (Figure 3.1-1) are also used to identify potential blind spots that may emerge during the year. These frequent reviews enable us to quickly identify environmental change and through the Corporate Initiatives process to shift resources if needed.

Corporate Initiatives (CIs) provide executive oversight for key interdisciplinary projects tied to Base Camp achievement and beyond. They are a body of work, project, or effort chartered to support furthering of Strategic Priorities. They may take multiple years, usually support multiple priorities, and usually involve resources

Step 4. Senior Leaders and BoD formally identify gaps and strategic challenges in advance of yearly goal-setting activities, in addition to recognizing and dealing with any arising during ongoing operations. Gaps provide context for goal setting, ranging from the ultimate gap to BHAG to shortfalls in reaching earlier goals or competitive position. Analysis of inputs provide basis. Further, for each of our Core Roles, Strategic Priorities are established or affirmed. These are areas of strategic focus with actionable direction for the short to medium term.

Steps 5a/5b, 6, and 7. Key strategies are marked by associated enterprise-wide goals (Three-Year and Annual). The activities involved in identifying those key strategies, establishing measurement methods and goals to aim for, and building consensus through Senior Leaders and ultimately BoD span several weeks and engage many. Proposed strategies and associated goals leading to Base Camp achievement are shaped by Senior Leaders iteratively in view of prior analysis of strategic inputs, Foundation Statements, and gaps, as well as discussions among leaders of BUs and SUs, BoD members, and other stakeholders. The multi-day Annual Board Strategy culminates activities to set strategies

and goals. At the retreat, final goal statements and measures are set for the succeeding planning timeframes. Final goals are also evaluated and approved by the BoD Compensation Committee, given that the goals and achievement of them provide basis for Premier incentive compensation plans. (This Committee also provides ongoing monitoring and final assessment of goal achievement.)

Steps 8, 9, and 10 involve deployment, discussed in 2.2.

Potential blind spots are identified primarily through evaluation of strategic inputs, taking place not only as part of the planning process but

directed in new ways and a period of research and development before embedded. Monthly ORs include a review of CI, and they can be reprioritized based on progress, completion, emerging customer needs, and competitive and industry changes (4.1b-1). New Corporate Initiatives meeting set criteria may be added throughout the year to keep pace with performance review findings and changing needs. They are tracked and monitored on the Corporate Initiatives Traffic Light Report.

Consistent with Hoshin approaches, our planning horizons are very long-term (present-time to 10/30 year BHAG), three-year or intermediate-term, and one year or short-term. These horizons were proposed by our Senior Leaders and concurred in by BoD to provide strategic flexibility in meeting near-term requirements while making steady progress toward longer term BHAG. The SPP is built on these horizons, enabling current decision-making in light of desired future.

2.1 a(2) As part of the SPP, Premier collects, analyzes and incorporates information from numerous internal and external channels to ensure that the SPP is comprehensive and focused. Analyzed information is presented throughout the SPP ensuring consistency and cohesiveness across the short- and long-term time horizons. Key elements include:

Strengths, weaknesses, opportunities and threats (SWOT) analyses are performed annually by BUs as input to BLRs. The analysis reconciles customer requirements gathered through our Listening and Learning Methods (Figure 3.1-2), data collected by our FS, and internal feedback collected via Employee Communication Methods (Figure 5.1-1). These analyses are supplemented by Contracted Supplier concerns gathered through supplier meetings and contract negotiations, feedback from Strategic Relationships, and industry organizations such as HIGPA, Advisory Board, and Institute for Healthcare Improvement.

Information about shifts in technology, markets, competition, or the regulatory environment is developed and disseminated by a formal competitive intelligence group, Business Intelligence (BI). An Environmental Scan (provided by BI and including market and competitive analysis) is combined with business and support unit research and presented during BLRs. This is supplemented by public policy and regulatory assessments provided by our Washington Advocacy office. Additionally, the national economic perspective is complemented by voiced Owner/member concerns and input collected from our Listening and Learning Methods (Figure 3.1-2).

Long-term organizational sustainability and business continuity in emergencies is reflected in our SPP and organizational performance review (4.1b-1), in financial performance, and in our business continuity planning efforts (6.2b(2)). In particular, long-term sustainability is a factor in analysis of strategic challenges and gaps and the setting of strategies/goals to address them. BLRs and our organizational performance reviews enable us to enact corrective action plans or contingency plans as appropriate, and to reprioritize Corporate Initiatives and action plans to meet changing customer and business needs as appropriate (4.1b-1). Because technology plays an integral part in meeting customer requirements, rigorous IT planning is documented in the IT Strategic Plan. As well, we budget a strategic fund to ensure available funds for unanticipated circumstances.

Our three-year rolling budget forecast is adjusted throughout the year and gives us the ability to continually model cash flow and project future business needs while anticipating twice-yearly Owner distributions. We are very focused on sustainable financial performance, and we model and track future cash flow for our businesses monthly to ensure that adequate resources will be available to meet the company's current and future needs. We forecast future operating performance and specifically review future year business unit forecasts as part of standard annual BLRs and incorporate those forecasts into monthly cash flow modeling.

The ability to recover and restore essential customer facing systems in event of a disaster is critical to meeting customer needs. Recovery time targets are based on a business impact analysis and risk assessment which identifies the amount of time a system can be unavailable without significant risk to the customer, including factors such as customer satisfaction, perception, and revenue impact. The enterprise-wide Business Continuity Plan (BC) enables us to recover critical systems from a disaster without significant customer interruption and business risk. This plan is actively maintained and routinely tested (6.2b(2)).

Among ways we ensure ability to execute the strategic plan is linking strategies/goals to precise resource allocation in budgets, closely monitoring performance, and aligning strategies and goals enterprise-wide and tying achievement to employee incentives. We create accountability through use of Goal Owners. Also, the SPP is reviewed annually to identify opportunities to further strengthen and leverage it. Major improvements are included in Figure P.2-2.

2.1 b Strategic Objectives

2.1 b(1) Our strategic objectives and our timetable for accomplishing them are given in Figure 2.1-2. The Figure also shows goals for these objectives. As surrogate measure for our longest-term BHAG of Premier Owners' leading in their markets (along dimensions of cost and quality), we aspire to the Envisioned Future picture of our Owners' operating in the top quartile among all hospitals in clinical quality and in the bottom quartile in costs. (Our current HQID project with CMS is our most organized effort to date supporting that aim.) (Figures 7.1-3 - 7.1-6)

More immediate are Three-Year and Annual Corporate Goals flowing from Base Camps. Where necessary, Annual Goals at the beginning of a three-year period may apply to action needed to reach the related Three-Year Goal. Employee incentive compensation plans are based on goal achievement. As Figure 2.1-2 shows, for each goal, three target levels are set based on predicted probability of achievement – Threshold, Target, and Stretch. Plans and budgets are based on Target. Stretch requires innovative approaches and extraordinary performance.

Over past years, we have evolved the definition of goals from early focus on internal process/outputs to statements of desired outcomes and then to statements of desired customer outcomes to be achieved through participation in our alliance and use of services. This practice recognizes that we work with and through customers to "co-produce" these desired customer outcomes. Further, outcome-based goals encourage innovation in action planning.

2.1 b(2) Three-Year and Annual Corporate Goals directly address strategic challenges identified in P.2b. For example, goals relating to overall customer value returned, in combination with goals for growth and efficiency, are targeted toward the challenge of retaining and attracting Owners and Affiliates. Goals related to our HQID project with CMS not only support Owner retention but have embedded in them the deployment of new methods to meet the challenge of innovative solutions. Validated savings goals require approaches and methods in meeting our supply chain efficiency challenges. Baldrige-related goals are aligned with and support many of our challenges including sustaining a diverse and highly effective workforce. The SPP framework balances short-, intermediate-, and long-term challenges and opportunities with its linked planning horizons and goal-setting. Use of Base Camps allows present-day planning decisions to be made in light of future expectations. Goal-setting balances the needs of all stakeholders by relating strategies/goals to Core Roles. Together, the Core Roles provide a balanced scorecard framework reflecting interests of Owners, customers, patients, employees and the enterprise.

2.2 - Strategy Deployment

2.2 a Action Plan Development and Deployment

2.2 a(1) Step 8 of the SPP (Figure 2.1-1) begins action plan development and deployment. Each Corporate Goal is assigned a Goal Owner, who ensures the goal is cascaded fully to business and support units for development of action plans, monitors continuing progress on a consolidated basis, and fosters corrective action if plans appear falling short. In addition, Strategic Initiatives addressing multiple goals may be launched and assigned/cascaded for associated action plans, as well.

To achieve the goals (or component parts) cascaded to them, BUs and SUs then develop specific Unit Goals, considering Base Camp, strategic priorities and challenges, and prevailing Three-Year Corporate Goals. Unit goals are set by breaking down Annual Corporate Goals into their key drivers of achievement, the critical few measures relating to closing performance gaps and reaching targets. The measures and associated goals are in Unit Grids. Action plans are constructed and special initiatives may be designed to close gaps and meet goals. Department managers translate these into unit budgets and resource allocation. Proposed Unit Goals and action plans are presented during BLRs and include demonstration of their support for Strategic Priorities and Corporate Goals. Unit Goals are each also assigned a Goal Owner.

Figure - 2.1-2 Premier Strategic Objectives, Goals, Current and Projected Achievement (Information in this section has been blinded given its confidential nature)

[See 2.2a(3) for methods. Th=Threshold, Ta=Target, St=Stretch]

10-30 Year Planning Horizon				
Goal: BHAG Currently aimed-for measure (from Envisioned Future): *Owners in top quartile in clinical quality, lowest quartile in costs*				

THREE YEAR (FY 2005-2007) PLANNING HORIZON				
Core Roles Related To	**Measurement Method**	**3-Year Goal**	**Current/Projected (as of 12/05)**	**Select Action Plans (rolled up)**
Create Value for Owners, Facilitate Knowledge Transfer, Financial Health	Cumulative implemented savings and cash returns to Owners (Figure 7.1-1, 7.3-2)	Th: Ta: St:		Value return:
Improve Quality, Organizational Health, Facilitate Knowledge Transfer	Participating hospitals' median composite quality score improvement over year 1 baseline (Fig. 7.1-5)	Th: Ta: St:		Quality improvement
Financial Health, Grow the Enterprise	Cumulative pre-tax net income FY2005-FY2007 for Premier, Inc. (Figure 7.3-4)	Th Ta: St:		Parent company financial performance.

ONE-YEAR (FY 2006) PLANNING HORIZON				
Core Role and Strategic Priority	**Measurement Method**	**Corporate Goal**	**Current and Projected (as of 1/06)**	**Select Action Plans and Initiatives (rolled up)**
Create Value for Owners: Create value for customers by generating validated savings	a. Number of Premier Member hospitals submitting quarterly supply expense data (ASV)	Trigger:		Savings growth and validation: •
	b. All customer-validated savings (Figure 7.1-1)	Th: Ta: St:		•
Improve Quality: *Align and integrate resources to support our customers' improvement of core clinical processes leading to breakthroughs along the dimensions of quality, safety and cost*	HQID participating hospitals' median composite quality score improvement over year 1 baseline (Figure 7.1-5)	Th: Ta: St:		Quality improvement support.
Facilitate Knowledge *Transfer: Working with Owners, increase penetration of comparative data tools as well as develop best in class supply chain benchmarking capability that rapidly transfers knowledge*	• Facilitate Knowledge Transfer goals have historically emphasized technology access and database participation. For FY 2006, these processes and activities (increase participation in database tools and collaborative opportunities) are embedded in all of our goals, and they are reflected in the measurements of "Create Value for Owners" and "Improve Quality, Reduce Costs" goals.			
Organizational Health: *Create an innovative, values-driven culture that delivers high levels of performance*	Increase over FY 2005 Baldrige assessment score (Figure 7.6-2)	Th: Ta: St:		Baldrige
Grow the Enterprise: *Retain existing customers, attract new customers and achieve broader utilization of our products and services by delivering customer-driven value and market-leading offerings*	a. Revenue growth (Figure 7.3-3)	Th: Ta: St:		Revenue growth.
	b. Net group purchasing volume growth from new Owners and affiliates (ASV)	Th: Ta: St:		New customers.
Improve Financial Health *Provide Owners compelling financial returns by generating healthy and sustainable financial performance*	Ratio of net distribution dollars to Owner admin fees. (Figure 7.3-1)	Th: Ta: St:		Cash distributions.

During this step, organizational interdependencies are identified along with initial budget, resource requirements and support unit needs by specifically requiring them as part of the BLR Outline. This information is shared with the appropriate SUs to use as they plan their goals and initiatives. All units then take part in a Support Unit Reconciliation meeting to align and reconcile their plans.

In Step 9 action plans and goals are deployed to all employees. To build understanding, the Base Camp is distributed and discussed with all employees through their direct supervisors and through many of the Employee Communication Methods listed in Figure 5.1-1. Annual Corporate Goals and Unit Goals are cascaded to department leaders to develop a more specific set of department goals as appropriate and then to employees. Managers are responsible for communicating goals and initiatives to all employees and for creating line-of-sight from individual contribution to Corporate Goal achievement and documented in Individual Deployment Grids. Annual and long-term incentive compensation is tied to corporate, unit and individual goal achievement. Employee incentives and Deployment Grids are tied to Annual Goal achievement success (5.1b). The cascading of goals is used by Senior Leaders to align strategies to action, and to allocate resources to implement plans. All employees are trained in this process during new employee orientation, and it is reinforced in annual performance management training and Managing at Premier courses. Corporate Development serves as the corporate-level strategy deployment facilitator, while HR Consultants work with units and individuals, particularly as goals relate to compensation. All BUs and SUs have appointed strategy liaisons who facilitate understanding of corporate strategy at the unit level and provide goal development coaching. Resources are allocated based on the strategies and goals of each unit and balanced across the organization in reconciliation conferences.

Budget requirements and resource allocations are refined through our three-year rolling forecast system. Units prepare monthly revenue and expenditure forecasts, updating them as action plans are implemented.

In Step 10 of the SPP, we ensure that key improvements resulting from unit action plans are sustained by continuing to monitor performance at the appropriate level after changes are implemented (4.1a-1). Consistent with our PMIS (P.2-1), measures are identified for all process improvement or design activities by the assigned project improvement team. Once improvements are implemented, the identified measures remain part of performance review and are generally monitored at the unit, department, or process level to ensure they are embedded.

2.2 a(2) When circumstances arise that require a shift in current initiatives and rapid execution of modified action plans, we accomplish that shift in focus and resources by reprioritizing through the Initiatives Planning Process and implementing corrective action plans (4.1b-2). Monthly ORs provide a forum for this activity and enable Senior Leaders to make necessary adjustments in strategy, actions, and resources throughout the year. Changes are deployed to units by their respective E-Team representative. Incentive plans are updated accordingly, and progress is monitored in monthly ORs.

2.2 a(3) Our key short- and longer-term action plans are listed in Figure 2.1-2. The short titles given represent the underlying detailed action plans of our various business and support units to meet the goals or components of goals cascaded to them. "Rolled up" from unit plans for summary here, the action plans reflect evolutionary changes and refinements to services, customers, and operations. For example, one Three-Year Goal is financial self-sufficiency of Premier, Inc. (which

serves as 'parent company' of our enterprise and which has historically operated at deficit when accounted for by itself) to ultimately reduce overhead burden for BUs and provide more funding for alliance activities and development. Various Unit Action Plans contribute to that goal with tactics for greater efficiency and revenue generation required.

The action plans further lay out tactics whereby more direct and specific help is provided for hospitals taking part with Premier and CMS in the HQID project, requiring in particular that we field additional ways hospitals may quickly share improvement knowledge gained and act on it. We believe collaboration among participants is one way to speed that, and action plans include growing collaboration activities. Further, recognizing the importance of dollar value returned to Owners, our action plans include tactics not only for increasing that value but also for capturing that value "co-produced" by us and Owners together and for

Figure - 2.2-1 Key Changes by Business Unit (Data has been blinded
Purchasing Partners   *(Impacting Strategic Priorities # 1, 2, 3, 6)*
•
Healthcare Informatics *(Impacting Strategic Priorities # 1, 2, 3, 6)*
•
Premier Insurance Management Services *(Strategic priority # 3)*
•

ensuring that value is formally validated by Owners.

Key changes in our products and services, customers and markets and how we are operating are shown in Figure 2.2-1.

2.2 a(4) Our Human Capital Strategy is developed for all units as part of Step 8 of the SPP. Cooperatively with all units, HR develops and proposes strategies, goals, and actions for one, two and three years out based on the needs identified by units during the BLRs. Additional input is gained from across the organization through HR Consultants (HRCs) assigned to each unit, through specific interviews and discussion with Senior Leaders, and also from the needs of other support units. HR-related objectives and initiatives are identified, prioritized, and documented in the Human Capital Strategy. Alignment to BU and other support units is validated through the Support Unit Reconciliation meeting. The Human Capital Strategy is shown in Figure 2.2-2.

2.2 a(5) Within the SPP, one or more key performance measurement methods are established for each goal toward which action plans are directed, at the corporate level and at the unit level. Enterprise-wide, overarching key performance indicators for our aggregate action plans are the measurement methods shown in Figure 2.1-2 for Three-Year and Annual Corporate Goals. Targets are established for all Corporate Goals, unit goals, and individual goals at the beginning of the measurement period. Three target levels are set based on the predicted probability of achievement: Threshold = 95 percent probability of

achievement; Target = 85 percent probability of achievement; and Stretch = 50 percent probability of achievement.

Figure - 2.2-2 Premier Human Capital Strategy (FY2005-2007)
Impacts all strategic priorities-more detailed action plan available on site
RECRUITMENT AND ON-BOARDING: Select, train and develop the best talent to positively impact business results. (Figures 7.4-4 and 7.4-5)
COMPENSATION, BENEFITS AND REWARDS: Provide market-competitive compensation, benefits and recognition/rewards programs designed to attract, retain and motivate talent aligned with Premier's values and purpose. (Figures 7.4-2 and 7.4-10)
STRUCTURE, PROCESSES, SYSTEMS: Provide best-in-class human capital systems and processes. (7.4)
PERFORMANCE AND TALENT MANAGEMENT: Develop and reposition workforce talent to competitively position Premier to achieve organizational goals. (Figures 7.4-5 through 7.4-9)
WORKFORCE ENGAGEMENT: Promote an engaged and high performing culture (Figures 7.4-10 through 7.4-13)

Target levels are established based on information gathered in the SPP, including competitive trends. All targets are set with baseline data (historical performance levels), a view of where performance levels need to be to achieve our Base Camp, an assessment of the related action plan impact, and an adequate degree of stretch. (Stretch goals are set high enough to require innovative or breakthrough approaches in order to be reached.) This system's objective is to set targets that apply a consistent amount of challenge across the organization.

Progress on these measures is reported through the Corporate Goal Traffic Light Report, updated monthly. At the unit level, performance is captured and reported through the monthly ORs using similar Traffic Light Reports and Unit Dashboards which include a review of key unit performance indicators.

Since measures are directly associated with goals that have been precisely cascaded and aligned through the organization as described in 2.2.a-1, their basic alignment and appropriate deployment is inherently supported by SPP.

Further, unit action plans and measures are discussed at annual BLRs in February to ensure coordination across units and to identify optimal resource allocation. Support unit grids are defined as a function of these unit goals, and are integrated across support units at the March SU Reconciliation meeting. Full deployment is supported by means such as the linking of employee Individual Deployment Grids to goals, establishing "line of sight" to overarching goals, and requiring all major units to take part in regular performance reviews where progress on key performance indicators is reviewed. Performance measures also inherently cover key stakeholders, since their requirements and expectations were considered in goal-setting. Deployment includes regular reporting of progress on performance indicators to all employees and Owners, by means such as scheduled meetings and postings on InsidePremier of Traffic Light Reports and other communications processes described in 1.1.

2.2 b PERFORMANCE PROJECTION

2.2 b Figure 2.1-2 includes projections for Three-Year and Annual Corporate Goals and references the specific Business Result (Category 7), which in turns show historical performance, trending, and when available, comparative/competitive data.

In FY 2006, we are in the second year of work toward Three-Year Goals targeted for accomplishment by June 30, 2007. Our traffic light reports for them show "green," meaning that cumulative progress toward these goals so far indicate opportunity remains to reach them at Stretch level. With respect to FY 2006 Annual Goals, our January 2006 traffic light reports show "green" on-track progress for most, and "yellow" (attention-required) for two.

We address current and projected gaps between actual and targeted performance in two ways. When performance on an Annual Goal is below expectations, Senior Leaders and Goal Owner devise and assign immediate corrective actions where opportunity exists, and deploy process improvement team, if appropriate. When performance toward a Three-Year Goal shows a prospective gap, associated second- or third-year Annual Goals are shaped to pull desired specific improvement aimed at closing the gap.

3 Customer and Market Focus

3.1 a Customer and Market Knowledge

3.1 a**(1)** The identification and determination of current and potential Premier customers, customers of competitors, and our market segments is part of the SPP (Figure 2.1-1). During its Step 1, information from market research, industry trends, customer satisfaction trends, and voice-of-the-customer input is compiled by BI and analyzed by Senior Leaders and BoD. For example: to determine changing customer requirements, define or revise customer groups, and identify opportunities and potential threats, all competitor information may be reviewed to understand strengths and potential weaknesses of key competitors and gain knowledge of requirements and expectations.

The annual BLR process requires each of the three BUs to conduct further research into its customer and potential customer segments to target for growth and new market opportunities. Each unit determines ideal customers to pursue by following the Customer and Market Knowledge process steps in Figure 3.1-1.

Figure – 3.1-1 Premier Customer and Market Knowledge	
Step	*Process*
1	Review Inputs (Market Research, through BI, FS, Current Customers)
2	Determine Access (Ranking and Targeting, Board Relations, Geography, Volumes, Relationships)
3	Pursue (Uses Assessment and Customer Specific Information)
4	Sell (Market Basket, Shoot Outs, RFP, Meetings)
5	Recap & Celebrate (Assess Successes and Opportunities, Reward and Recognize Efforts)

To identify new market segments, teams review data prepared by BI analysts. BI conducts ongoing market and competitive scanning to identify marketplace changes, shifts, and expectations, and to understand competitor and customer developments. Alerts on competitor and market movements (reflective of customer requirements) are systematically deployed throughout the organization through a bi-weekly electronic newsletter to continually raise awareness of field staff supporting customers. This information is aggregated and analyzed by

Senior Leaders as part of the SPP and as part of ongoing business monitoring and scenario evaluation during annual BLRs.

At the corporate level, a basic segmentation model is applied to distinguish between Owners chiefly interested in group purchasing offerings and those open to value-add and broader offerings in addition to purchasing. The specific array of GPO/alliance services is a key factor in hospital choice. Our general application of a GPO and GPO-plus model allows Premier to channel field support and sales efforts to appropriate audiences, maintaining satisfaction across our membership.

The market for GPO participation is well penetrated. Opportunities to recruit a competitor's member often come when that member is re-evaluating GPO support and issues a request-for-proposal (RFP) from Premier and others, or informally indicates a change would be considered. Consistent with the model above and "fit," we consistently track status of the recruiting "funnel" and prospects, and deploy a defined process for making proposals and responding as appropriate to RFPs to recruit new Owners into the alliance.

3.1 a(2) We determine key customer requirements as well as changing expectations and relative importance to customers through direct and indirect methods. Overall, customer intimacy is particularly high in an alliance such as ours, with Owners as customers and our working in partnership with them and often at their sites to achieve their quality and cost-effectiveness goals. They share extensive performance information with us and each other through such means as comparative databases and purchasing histories. In aggregate, as we have seen in the HQID project with CMS, knowledge we have collected is helping them and Premier improve and field new solutions where need is becoming evident. HQID itself was stimulated by data evidence from our Members of healthcare clinical variation and its relation to quality and cost.

With respect to the specific services of our BUs, immediate sources of information are the knowledgeable, engaged customers who also take part on our BoD, the Owner committees advising the BoD in the areas of quality and supply chain management, and the Member clinicians, purchasing professionals, and other representatives who constitute our sourcing committees and other advisory groups. Further, strategic interviews take place throughout the year at customer sites to gather direct feedback for use in strategic planning and as basis for determining the Supply Chain Improvement Plans (SCIP) or Quality Improvement Plans (QIP) that Members and Premier agree to carry out together. We also collect improvement comments from collaborative meeting evaluations. Aggregate customer feedback comes from our Customer Solution Centers (CSCs) and Listening and Learning Methods shown in Figure 3.1-2. Captured and aggregated, this information supports BU Leadership Teams, the BLR process, and SPP.

We vary our listening and learning methods by customers/groups to best reach key audiences and most effectively deploy our resources. For example, we customize communications, contacts, and input mechanisms depending on the needs and requirements of the customer constituent, whether a health system executive responsible for strategic purchasing decisions or a departmental purchasing chief accountable for purchasing operations and presenting different needs. We deploy our executives, including BU leaders and field leaders, to conduct strategic interviews and Executive Briefings. We gather additional executive input at meetings of our BoD, Owners, and Owner committees, and we annually survey Owner executives for satisfaction and suggestions. At the hospital departmental level, we deploy our FS of vice president and director-level staff, who report back via customer

relationship management systems. We also engage a large number of staff-level constituents through PP sourcing committees, HI and PIMS staff involved with our various customer-facing processes. PP sourcing committees evaluate our potential purchasing offerings and identify the products and services they prefer, including price points, features, and service options. With their direct engagement, we are able to rapidly and systematically respond to market changing events and customer requirements with our supply chain offerings (contracts and consulting).

PP and HI staff meet regularly to share current customer information, and discuss needed responses. In-bound field information is captured and accessed in Seibel system and Salesforce.com.

The information collected from different listening and learning methods is analyzed and used by Field Staff (FS) within each BU and by Product Management teams throughout the year during BU leadership team meetings and E-Team meetings. This information is reviewed against key customer requirements to develop specific action items in response to those areas that are underperforming. Information is shared through the FS Website and the two weekly FS newsletters.

A great source of innovation is our customers. We have designed our annual Breakthroughs Conference to capture and share innovations in supply chain management, clinical quality and operational efficiency taking place in Member organizations. It has become one of the largest and most respected venues in the nation for knowledge-sharing about healthcare performance improvement.

At annual BLRs, current strategy is considered in light of current and forward-looking information in order to modify strategy and determine hopeful new products and services. The "lay of the land" component of each BLR contains highlights from our listening and learning methods, coupled with trends observed through competitor scanning, market scanning and customer survey results. Together, this analysis allows leaders to assess the likelihood of future scenarios and future customer needs, directing and prioritizing product and service enhancements.

On-going retrospective analysis of BI scanning and customer comments generates strategic considerations presented at the BLR, and systematic improvements are made. Our annual Baldrige assessment feedback and research are considered when making improvements and identifying more effective approaches. Listening and learning approaches have led to making several improvements such as: increased relationship-focused meetings with our customers, systematic market and customer updates to employees, additional Executive Briefings, and monthly CEO reviews and reports.

Figure - 3.1-2 Listening and Learning Methods		
Type and Method	*Primary Owner*	*Target: Existing (E)* *Potential or Previous (P) Customers*
1. Individual and Small Group Consultation		
Strategic Interviews	CEO and Business Unit Leaders, FS Leaders	E, P
Improvement Plans	FS	E
Owner/Customer Calls	Sr. Leaders	E
Direct Customer Contact and Visits	FS and Sr. Leaders	E, P
Consulting Engagements	FS and Consultants	E, P
BoD and Shareholder Committee Meetings	CEO and E-Team	E
Advisory Committee Meetings	E-Team and Sr. Leaders	E
2. Member Collaboratives		
National/Regional Conferences	Conference Services and FS	E
Collaborative Customer Meetings	Business Unit Leaders and FS	E
3. Dedicated Listening Channels		
Web, phone, e-mail - inbound inquiries	FS, CSCs, and Product Management	E, P
Customer/Stakeholder Surveys	BI	E
"IdeaScope" Customer IdeaTool	Informatics Product Management Team	E, P
4. Promotion and Prospecting		
Shoot-Outs	FS and Sr. Leaders	E, P
Tradeshows	FS and Sr. Leaders	E, P
5. Research and Analysis		
Internal Research	BI	E, P
Primary and Secondary Market Analysis	BI	E, P

The mix of listening and learning techniques applied for each customer group generally reflects the level of engagement an entity has with Premier and its services, and involves a base array of listening and learning methods managed by BUs and FS contact (Figure 3.1-1). An example of an effective listening and learning method is the "Advise Us" tool for HI Advisory Suite tools, allowing all customers a portal and process for sharing ideas and suggestions. Inputs are aggregated into categories, reviewed weekly by the HI Product managers and shared with leaders. Once the status of an idea is updated, an e-mail notification is sent to the submitter.

Ultimately, SPP preparation and the BoD's annual review and approval of strategic goals and objectives are the integration and accountability points for ensuring that a focus on customer service and delivery of customer-driven products are maintained.

3.1 a(3) Listening and learning methods are kept current through periodic review and assessment by our FS and Senior Leaders. Each BU leadership team determines whether that unit's specific methods provide effective means of understanding and responding to immediate customer needs and requirements. During the annual BLR and SPP a more formal assessment allows for broader investigation of our customer listening and learning methods to ensure we are able to capture the changing and immediate needs of our customers for all products and services. Our FS annually reviews our methods and identifies better ways of understanding and responding to needs, and recognizes appropriate improvements using our PMIS model. Figure P.2-1 lists several improvements made over past years.

3.2 - Customer Relationships and Satisfaction

3.2 a Customer Relationship Building

3.2 a(1) Premier invests in providing personalized relationship-focused service to build intimate and long-term relationships with Owners through regionally deployed FS employees, Member advisory councils, networking performance improvement projects and educational opportunities. Relationships are formed at several levels; through personal interviews with chief executives, small regional meetings with customer executives, customer committee participation, and the development and deployment of SCIPs and QIPs. BU level relationships are built and managed through personal visits and guided by annual improvement plans co-produced by customers.

The FS for PP, HI, and PIMS establishes plans with customers that contain mutually-defined, measurable customer goals for process improvements and savings opportunities. Each PP customer has a SCIP that outlines actions necessary to reduce supply chain expenses. HI works with customers to develop QIPs. PIMS customers have specific performance objectives and metrics built into their management services contracts for each managed company. These plans outline how the FS identifies each customer's unique objectives and works with that

Figure – 3.2-1 Customer Access Methods		
Toll-free telephone (A,B,C)	Product users group meetings (A)	Regional performance improvement forums (A)
Internet/List serves (A,B,C)	Peer meetings (A)	Customer purchasing committee meetings (B)
Customer Solution Center – phone, fax, e-mail (A,B,C)	Field staff phone calls and e-mail (A)	Product support centers (A,B)
C*net meetings (A,B,C)	Field staff site visits (A)	Executive briefings (C)
Customer advisory committee meetings (B,C)	Toll-free technical assistance fax (A)	Customer networking forums (C)
Staff phone calls, e-mails (B,C)	Product support center surveys (C)	
Legend: *Seek Assistance (A)* *Conduct Business (B)* *Complain/Suggest (C)*		

customer to apply Premier services in achieving them.

Through extensive customer engagement and routine review and enhancement of these mutually established improvement plans and through the "high touch" opportunities to interact with various levels of Premier leadership and staff, customer and stakeholder loyalty is created, sustained, and enhanced. When meeting with customers, we specifically ask how we can continue to bring increased value to the relationship. During regularly scheduled BU FS meetings, customer inputs are discussed, reviewed, and acted upon to maintain this focus.

3.2 a(2) Our Owners and other customers have multiple avenues and portals through which to readily access Premier information, staff, resources, and services (Figure 3.2-1). The two most frequent contact points are FS liaisons and our Customer Solution Centers (CSCs). Many of our listening and learning approaches are face-to-face, which provide opportunities for customers to obtain information as well as provide feedback on products, services, and service levels. Customers also connect through Premier's Member Web site, which allows access to, and contact information for, our e-sourcing solutions as well as other products, services, and electronic bulletin boards.

Our CSCs are primary collection points for customer inquiries and complaints (these are also gathered by FS representatives through interviews and surveys). Premier uses annual customer interview data and survey results to identify customer access requirements for each of its three BU customers. Through data collected by the FS, membership services, and CSCs we are able to determine customer contact preferences. Most customers require methods that provide responsiveness, support, accuracy, and effective communications. CSC employees and BU subject matter experts have specific training in how to handle different types of customer inquiries and must meet specific requirements for answering calls and responding to requests.

3.2 a(3) Each BU uses the complaint management process (Figure 3.2-2), which provides customer access, timely resolution, customer follow-up, and complaint tracking. The CSCs and our FS have primary responsibility for managing customer complaints. Customers have access to the CSCs through three channels; phone, fax or Web. All complaints received are funneled to the CSCs, documented, and submitted to a resolution process. CSC employees are trained to work with customers to provide immediate support and resolution whenever possible. When customer complaints cannot be immediately resolved, a resolution and follow-up plan is developed. Resolution processes are managed by the field representatives assigned to each customer

Figure 3.2-2 Customer Complaint Resolution Process	
Step	Process
1	Complaint received via CSC, Meetings, Committees etc.
2	Complaint Analyzed and Documented
3	Contact Customer for Further Information (If needed)
4	Assign Responsibility and Resolve
5	Reassign to Supervisor (If needed)
6	Document and Initiate Improvement Process
7	Document and Close
8	Aggregate Data and Review for Improvement Opportunity

account or by experts in our office-based departments, all of whom are empowered and authorized to deal with complaints personally. Customer complaints are aggregated in the CSC tracking system and segmented by customer, region, representative, time period, and theme. Systematic complaint analysis, for any issues open for greater than 24 hours, is conducted at weekly "open service" meetings among CSC leaders. Monthly data analysis providing a dashboard view of service requirement distributions, methods of contact and frequency trending, time-to-close calculations, and top requests for the period facilitates identification and resolution of systemic issues and root causes. BUs are engaged for an extensive business review of customer issues on a quarterly and annual basis during their leadership team meetings. At these forums, leaders examine data, define necessary improvement opportunities, and determine how the issues will be addressed. Additional decisions are made to determine whether issues will be resolved at the corporate or business unit level. Monitoring and measuring of complaint volumes, themes, and resolutions are continued through the forums described. Leaders, after reviewing trends and performing necessary root cause analysis, determine the most effective processes for improving or resolving issues or gaps. Process improvement teams are chartered to perform additional analysis and define and implement necessary improvements.

3.2 a(4) Annually during the SPP our customer relationship and access approaches are evaluated by the Leadership Team for effectiveness using input from satisfaction surveys, external party assessments such as Baldrige feedback, consultants, and quality improvement organizations, to ensure our approaches are meeting marketplace and customer standards. If areas are detected that require a change in how we work with Members, marketplace, or communities, improvements are incorporated into our relationship-building approaches and the training and communications that enhance capacity for effective customer support. Focus groups are also used if greater understanding is needed. Exemplifying customer relationship improvements made, based on customer feedback, are our regional contracting collaborative forums, facilitated by regional directors, addressing the need for additional flexibility in local and regional contracting.

3.2 b(1) Regular surveys are primary inputs for determining and analyzing customer satisfaction and loyalty (Figure 3.2-3). An external firm conducts the surveys, evaluating overall satisfaction, dissatisfaction, loyalty, and likelihood to recommend. The survey firm statistically validates drivers or predictors of each and analyzes data in various ways (i.e., behavioral segment, size of customer organization), so differences can be identified and addressed. The analyzed findings of all surveys and inputs are channeled through the SPP and BLR, and action plans are developed to address areas of opportunity. Satisfaction results are particularly helpful to FS Region Vice Presidents (RVPs) in developing customized solutions to specific customer problems. RVP use of the formal surveys is complemented by informal processes to help ensure that relevant information for maximizing satisfaction and loyalty is captured and addressed on an Owner-by-Owner basis. Informal approaches to assessing customer satisfaction rely on continuous feedback from our FS, the CSCs, and contracting personnel. Information is captured in each BU's contact management system for aggregation, reporting, and account planning. These assessments enable us to surface and address recurring satisfaction issues in monthly ORs and BU meetings (Figures 7.2-1 through 7.2-8).

3.2 b(2) Follow up with customers on products, services, and transaction quality takes place primarily through the FS during Owner

update meetings where the SCIP and QIP improvement plans are reviewed, assessed, and refined. Additional follow up is done by Senior Leaders and Product Managers through written and personal contact and regular customer meetings. All actionable information is reviewed during weekly FS meetings, and through Product Manager meetings, to ensure all information is shared, documented, and used to improve.

3.2 b(3) Various competitor benchmarks and service firm business-to-business comparatives are identified primarily through the BI function. Comparisons are used to create dashboard tools from which ongoing refinements are made. This is validated by informal feedback from customers that have retained Premier as their GPO after a "shoot-out" (where Members evaluate alternative GPOs). Customer meetings also are effective forums for gaining insight into customers' satisfaction with competing products and services. This information is aggregated by the BI group and regularly shared and reviewed with leaders during BLRs and ORs. Other information on satisfaction relative to competitors is obtained through contacts with Baldrige award recipients, relationships with other companies, and industry related organizations.

3.2 b(4) Annually, we collaborate with external survey providers to evaluate and improve our customer satisfaction surveys' content and methodologies. Improvement suggestions are shared with the E-Team and appropriate BU leaders. All customer satisfaction approaches are reviewed annually and improvements are determined based on strategic business direction and goals. Improvement plans are defined and necessary action taken to ensure our surveys are effective in providing the quantitative and qualitative information needed to assess customer satisfaction. Through networking and participation with Members, Baldrige award recipients, and associated industry organizations, we receive information related to industry changes, best practices, and innovations. Figure P.2-1 shows some of improvements made in Customer Relationship and Satisfaction processes.

Figure - 3.2-3 Customer Satisfaction Determination Inputs		
Process Type Formal(F), Informal (I)	*Frequency*	*Customer segment*
Independent customer perception survey (CEO Satisfaction) (F)	Annual and Periodic	Owner, market segment competitor, organization type
Accelerated Solutions Environment events and mini-ASDs for suppliers (I)	Periodic	Owner, supplier groups as appropriate
Group Purchasing Services customer satisfaction survey (F)	Periodic	Owner including owned, leased or managed hospitals
Contracted Supplier satisfaction (F)	Annual and Periodic	Type of product and service
Informatics customer satisfaction survey (F)	Annual and Periodic	Informatics customers, performance improvement work group participants
PIMS customer satisfaction survey (F)	Annual	AEIX membership
Focus groups (I)	Periodic	Owners by segment
Individual project service evaluation (I)	Periodic	Owner customer

4 Measurement, Analysis, and Knowledge Management

4.1 - Measurement, Analysis, and Review of Organizational Performance

4.1 a Performance Measurement

4.1 a(1) From a systems perspective, the PLS (Figure 1.1-1) drives what is measured and analyzed across the organization to accomplish strategy execution and operational performance improvement. Through the SPP, Corporate Goals and action plans are developed and deployed to units which, in turn, develop supporting unit goals and action plans. Corporate and Unit goal performance and action plans create the basis for Premier's organizational performance review system and aligns to Step 10, Monitor and Measure, in the SPP. The SPP determines selection, alignment and integration of data and information for tracking organizational performance. Major process steps are outlined below:

Selection: Senior Leaders determine what will be measured at the corporate level when establishing and describing our Annual and Three-Year Corporate and BU Goals. For Three-Year goals (intermediate-term) which may take time to realize and interim Annual Goals (short-term), metrics are identified that enable more frequent monitoring of progress. Goals and associated measures are selected in the SPP based on gaps we are trying to close with respect to Strategic Challenges, Strategic Priorities, and current performance. These measures are the focus of subsequent performance reviews and are monitored throughout the year (Figure 4.1-1). High performing, stable processes that are no longer considered a gap continue monitoring at the department or process level to maintain performance. The development of a goal includes definition of measurement method required for monitoring performance and what data will be collected.

Collection: Once we determine what will be measured, Goal Owners are assigned and tasked with determining data collection methods either by using existing systems and methods or determining the need to build the necessary capabilities. Often data are already collected, and we use existing data collection tools. If data are not currently being collected, we develop technology infrastructure, custom data management systems and project or process-specific mechanisms to collect the necessary information. Decisions to do so are made by the E-Team considering the level of difficulty versus the value of using the specific measurement. Data are collected at the unit and department levels to ensure those closest to the process being measured have ownership over data gathering and monitoring. The measures then become the basis for Unit Goals and Key Performance Indicators (KPI) and for monitoring in the appropriate performance review forum. Data gathering for tracking daily operations occurs at the department and process level and is aligned to customer requirements and organizational strategies through the SPP and PMIS (Figure P.2-1).

Alignment and Integration: Unit strategy and action plan alignment and integration occur through the SPP as Corporate Goals are cascaded to units. As Corporate Goals are deployed, Senior Leaders identify dependencies existing among units, and, where they exist, unit leaders work together to develop inter-related goals and action plans. During BLRs, BUs are asked to identify what support is required from SUs such as IT and HR. Finally, a reconciliation meeting is held as part of the SPP. SUs further align their goals and action plans with one another in

support of BU goals and strategies. The resulting integrated goals and action plans are monitored and evaluated during monthly ORs (4.1b-1).

The most important components in achieving our Strategic Priorities are the Corporate Goals shown in Figure 2.1-2. Those combined with select unit measures representing financial, process, employee, and customer performance are reviewed monthly using a traffic light format where red or yellow flag areas of concern. Fact-based decisions regarding resource prioritization and action plan development to address performance gaps are supported by further analysis to identify and elevate areas of concern. Solutions and action plans are developed through discussions at executive and unit leader meetings as well as by formally launching problem-solving teams using PMIS (Figure P.2-1). The size of the performance gap identified is a key determinant in the extent to which we seek innovative approaches versus reliance on incremental improvement approaches and is reflected in target-setting.

4.1 a(2) The competitive landscape and customer requirements are reviewed and comparatives are selected based on an evaluation of high performing companies with similar business models, strategies, processes, etc., and their applicability to our specific measures. Selected comparative data is used to determine Strategic Priorities and to set corporate and unit goal targets. Comparative benchmark information is also used in the PMIS (P.2-1) to evaluate new business

Figure - 4.1-1 Organizational Performance Review Description	
Organizational Performance Review	*Participants*
Annual, Business Line Review (BLR) – Agenda includes: YTD unit results, Environmental Scan, strategic positioning and recent market developments, business operating model, scenario planning, SWOT analysis, interdependencies with other units strategic priorities, strategic challenges, special topics.	Senior Leaders
Annual, BoD Strategy Retreat – Agenda includes: YTD BU results, Environmental Scan, strategic positioning, business operating model, strategic priorities, strategic challenges, and special topics.	BoD, Executives
Bi-Annual, Leadership Team Meeting – Agenda includes: executive development in corporate-wide strategic thinking and execution, new fiscal year goals (spring meeting), current strategic issues.	Senior Leaders
Quarterly, E-Team Strategy Meeting – Agenda includes: BI updates, current strategic issues as determined during the quarter.	Executives, select Unit Leaders
Monthly, E-Team/Operations Review (OR) – Two-thirds of agenda devoted to Operations Review. Key agenda items include board planning, special strategic topics, Corporate and Unit Initiatives, corrective action plans, and review of four types of key unit measures – process, financial, employee, and customer.	Executives, select Unit Leaders
Monthly, Unit Leadership Team Meetings – Agenda includes: current BU initiatives and key unit, department, process metrics, and special topics.	Unit Leaders
As needed, Project Team Reviews – Agenda includes: appropriate review topics for the type of project and project phase. Team oversight is provided by designated project sponsors and generally progress is reviewed at the appropriate department, unit, or corporate reviews.	Project Sponsor, Project Lead

opportunities as well as when determining product features and process benchmarking opportunities.

Comparative data and information, both outcomes and process focused, are gained from BI analysis and from other sources such as participation in conferences, engaging in benchmarking studies, Baldrige winners, professional organizations, and participation in professional organizations. BI actively researches and analyzes industry-level developments relevant to our service offerings, including general news and commentary, financial/price trends, legal and regulatory changes, and broad developments in the competitive landscape. This information is included for each BU in the Environmental Scan, a key input to the annual BLRs and BoD Strategy Retreats as part of the SPP (2.1a-1). The Environmental Scan highlights areas of emerging customer needs, competitive threats and market trends that require innovative responses, and it is used by Senior Leaders to set appropriate strategic priorities, goals, and initiatives at the corporate and BU levels. BI updates are a standing agenda item on Strategy Retreat and E-Team/OR meeting agendas throughout the year and provide specific detailed analyses of key issues along with ongoing competitor and market developments. Units also engage BI as needed to conduct specific research.

We ensure the effective use of gathered by linking it directly to the PLS as a key input to the SPP, in which direction is set for Premier, and by linking it to our improvement initiatives as part of the PMIS (Figure P.2-1). Unit use of similar comparisons during the SPP when setting unit goals enables us to benchmark and set appropriate stretch levels as the basis of employee compensation incentives.

Comparative information is also made available to the organization at large through the BI Web page on InsidePremier. Annually, BI meets with each unit to understand current important issues and adds new ones to the daily scan. These updates are included on the BI Web page, which captures current competitor and market developments of importance to BUs, keeping staff current on issues and triggering an exchange of competitive information learned in the field. New information and hot topics are communicated to Senior Leaders, field staff, and other subscribers to the Market Watch newsletter.

4.1 a(3) Performance measurement systems are kept current with business needs and direction by linking them directly to the PLS. Measures and performance review mechanisms are evaluated as goals are developed at the beginning of the SPP (2.1a-1). They are also evaluated by the PEAK Team using feedback from Baldrige assessments at the beginning of each fiscal year and improvements incorporated during the SPP. As a result, our organizational performance review system has been continuously reviewed and improved (Figure 2.1-2). The PMIS addresses measures and monitoring systems at the process level based on customer and business needs.

As stakeholder expectations shift, measures and the data and information supporting them are reviewed and revised. Any performance gaps are met with scrutiny (regarding the cause of those gaps) and assessed to determine whether the right information is available to take corrective action. Because current goals relative to our Core Roles "to improve quality" and "create value for Owners" reflect customers' performance goals, performance targets are set based on customer performance related to cost and quality. In other words, we measure ourselves by customer performance in the direction of the BHAG for both quality and cost. To do this, SCIP and QIP improvement plans are developed with our Owners and progress is reviewed with them

quarterly (3.2). Also, we maintain ongoing feedback through our field staff and customer interviews, and these interactions identify changing business needs that may cause us to re-evaluate methods for monitoring our own performance. These are identified and addressed as part of regular review processes described above.

4.1 b Performance Analysis and Review

4.1 b(1) Organizational performance and capabilities are reviewed through a formal structure of meetings and standard tools that support the consistent evaluation of corporate and BU measures at the Senior Leaders level (Figure 4.1-1). BUs are responsible for gathering information required to present during BLRs and ORs. BUs work with BI for competitive and market information and with Corporate Development (CD) which facilitates each review. CD maintains standard agendas, the BLR Outline, the BLR Purpose and Ground Rules, and the OR Package Template and Guidelines. These documents describe the purpose and objectives of each review, roles, and the information required, and enable a consistent review of each unit. At the end of each meeting, participants are asked for feedback for improvement opportunities that can be incorporated into the tools and the agenda for the next meeting.

Corporate and Unit Goal performance and Initiatives are reviewed by Senior Leaders during monthly ORs using a traffic light format to track progress relative to the threshold, target and stretch goals tied to incentives and set during the SPP. Red and yellow lights indicate performance below expected target and discussion centers on those performance gaps. Unit dashboards track four types of unit operational metrics (financial, process, employee, and customer). Unit goals are also reviewed by Unit Leaders at monthly meetings and include additional department and process level measures specific to each unit. In all reviews, traffic light and dashboard performance gaps drive discussion around the validity of the data and measures, customer and business impacts, and actions to address. These tools and performance reviews ensure consistent and constant performance monitoring for our Corporate Goals and initiatives. Frequent reviews by process owners and Senior Leaders ensure resources are focused on processes and measures that are not performing to expectations and marketplace shifts that require rapid response. Conclusions are validated by cross-matching findings to arrive at clear, contextual understanding.

Methods used include historical trend analysis, SWOT analysis, performance benchmarking, customer, supplier and employee survey segmentation and analysis, corporate risk assessments, external/market trend analysis (including analysis of customer, competitor, emerging technology and public policy issues), regression analysis, control charts, affinity diagrams, traffic light reporting and performance gap analysis, root-cause analysis, financial forecasting/budgeting variance analysis, monthly and quarterly metric trending, at-risk assessments of customers, internal audit findings, cost/benefit and ROI analysis, and product portfolio/pricing analysis.

Performance reviews assess organizational success through use of performance projections and initiative milestones. These are tracked against target levels on traffic light reports and reviewed monthly.

This structured system of consistent and frequent performance reviews allows us to respond rapidly to changing and unexpected organizational needs and challenges. Consistent and frequent review of key measures, stakeholder survey data, environmental scans, BI updates, etc., and the ability to take corrective action and reprioritize Corporate Initiatives enable us to meet changes as appropriate throughout the year.

4.1 b(2) Findings from performance reviews are translated into improvement and innovation opportunities through the Corrective Action Planning and the Corporate Initiative Management processes, Risk Assessment and internal audit findings help to prioritize improvement opportunities. Identified performance gaps are addressed by development of corrective action plans. They are 30-90 day action plans developed by Unit Leaders and process owners and presented at ORs to gain focus, discuss resource needs, and receive input as necessary from the E-Team. Progress is reviewed at subsequent ORs until actions are complete and stabilized. Corporate/Unit Initiatives provide executive oversight for key projects tied to Base Camp achievement. They are aligned to Strategic Priorities and goals as part of the SPP and managed as a standing agenda item in monthly ORs. Initiatives are tracked and monitored on the Corporate Initiatives Traffic Light Report (2.1a-1).

Corrective action plans and Corporate Initiatives are assigned to Senior Leaders who are responsible for selecting an appropriate improvement methodology (such as Lean Six Sigma), establishing a team, and reporting progress. Initiatives are deployed as part of the SPP or as required to meet changing customer and business needs identified during performance reviews throughout the year. These improvement opportunities are assimilated into common messages and are deployed to Contracted Suppliers and Strategic Relationships as part of formal interactions such as the annual Breakthroughs Conference and Contracted Supplier business reviews. They are also deployed through communications in ASDs and project teams, or through standard project communication if identified as a key stakeholder. We include process changes in service level agreements for Contracted Suppliers. The expectation is set with Strategic Partners when entering into relationships that we are working together toward mutual benefits and that associated action plans are subject to ongoing refinement, communicated through regular progress review meetings.

4.2 - Information and Knowledge Management

4.2 a Data and Information Availability

4.2 a(1) We make needed data and information available through several standardized electronic methods as appropriate to meet the needs of office-based and FS employees, Contracted Suppliers, partners, and customers. Standardization has been achieved through Web technologies, e-mail, and integrated passwords for key systems such as our Internet portal (www.premierinc.com). Users "pull" information from most Premier systems, but critical information is "pushed" to stakeholders through many channels. Key talking points are distributed via e-mail to managers and the FS to facilitate consistent message sharing among employee groups. System alerts for technology issues, for example, are automatically e-mailed to wireless devices managed by on-call personnel. Access is appropriately limited and controlled using a combination of processes, policies, software, and hardware. Customer access is defined by each customer's relationship with us (e.g., Owner or Affiliate), services they engage (e.g., Clinical Advisor), and individual customer's role (e.g., hospital buyer). Employees, Contracted Suppliers, and Strategic Relationships also are provided access to information they need through our Web sites (Figures 7.5-4 and 7.5-5).

Availability is aggressively managed with a combination of people, processes, and technology. Internal and external monitoring systems have been set up to mimic online customer actions for key systems; those actions are monitored 24x7. Performance thresholds have been

set to alert IT staff when system response time is slower than customer-defined service targets. We provide personal support and tools to complement automated monitoring and improve longer-term results. These include help desk and on-site desktop support, troubleshooting teams for more complex issues, a performance engineering team to continuously improve KPI, routine hardware refresh and replacement; routine systems maintenance, and a back-up generator system for major hardware. Results are routinely tracked using metrics that roll-up to system availability KPIs. The sources of data and information are organized into one of several systems enabling access by approved stakeholders only. As a general rule, employees have broadest access and can see information available to customers, Contracted Suppliers, and others. Customers have access to information they have subscribed to or purchased. All stakeholders have access to Premierinc.com (including our Safety Institute), e-mail, and our CSCs..

4.2 a(2) Management systems are used to ensure hardware and software reliability, security, and user-friendliness. These systems can be categorized as follows:

(1) Ongoing processes and procedures maintenance and improvement. Many processes support this, but primary are the change control process, documentation and maintenance of operating procedures, back-up policies and procedures, the security review process, the service request process, and root cause analysis procedures.

(2) Methods and equipment standardization. The Corporate IT Enterprise Architecture (EA) Office plans for appropriate hardware and software; this architecture fits within Premier's enterprise standards and is scalable and flexible to meet changing demand and needs. Common methodologies are followed for application development and project management, including the system development life cycle management methodology, project management methodology which follows Project Management Institute (PMI) standards, and application development architecture standards. Defined equipment standards address operating system software on staff PCs, servers, and the network.

(3) Ongoing monitoring and status reports. Service level agreements (SLAs) and technology system monitoring tools provide in-process and post-process performance indicators for the data center, hardware, and software, including regular disaster recovery testing. All of this is rigorously tracked, reviewed, and evaluated for improvement. Emphasis is placed on the availability KPI for critical systems – HI, e-sourcing, and desktop customer experience for day-to-day Premier personnel PC use.

 (4) Direct customer feedback from the IT help desk and customer-directed steering committees. Information from a service request process and customer surveys (for overall IT, our Web, and specific products) are rolled-up into a customer experience KPI and routinely monitored. This information along with help desk ticket analysis, product committees, user groups, and new applications and technology pilot groups are used to ensure user friendliness requirements are met.

(5) Information access controls. Strict controls over data center access; and most applications define who has access to what and when.

(6) Hardware and software security. Three main efforts support this: (a) a risk management program, (b) risk monitoring, and (c) training and awareness for business and personal use. We have several security systems in place such as anti-virus software, firewalls, Web content and spam filters, and a separation of quality assurance (QA) testing, staging and production environments for major systems. CITS staff routinely complete security reviews for every new system deployed. Reviews

include systems documentation, software vulnerability scans, unacceptable issues remediation, and business owner risk education and acknowledgement (when necessary). A Computer Information Security Work Group (CISWG) includes all business areas that review and approve policies and processes.

4.2 a(3) Availability of hardware and software in event of emergency is supported by many systems. These include a company-wide business continuity plan, a separate disaster recovery data center, 24x7 on-call IT technicians, routine and automated systems monitoring, automated alerting for potential and real issues, systematic processes and procedures for backing-up and recovering data and systems including off-site storage, redundant systems for failover during breakdowns (e.g., servers, Internet connections, air conditioning), a generator for our main data center, and redundant data center power sources and supplies. Increasingly, we depend on the Web to disseminate information to stakeholders, and we keep that information updated through an organized structure of Web Content Contributors and Web Working Groups overseen by a Web Governance group. Participants meet regularly to stay abreast of plans, policies, and procedures.

4.2 a(4) Data and information availability mechanisms are kept current and proactively managed by continuous monitoring of technology system performance, hardware and software security system maintenance, customer-centric IT strategic planning, standards development through our architecture department, and routine IT performance reviews. Continuous monitoring of technology system performance is critical to keeping our systems current and obtaining performance feedback. Figure 4.2-2 shows our approach to managing and transferring knowledge between Premier and our customers.
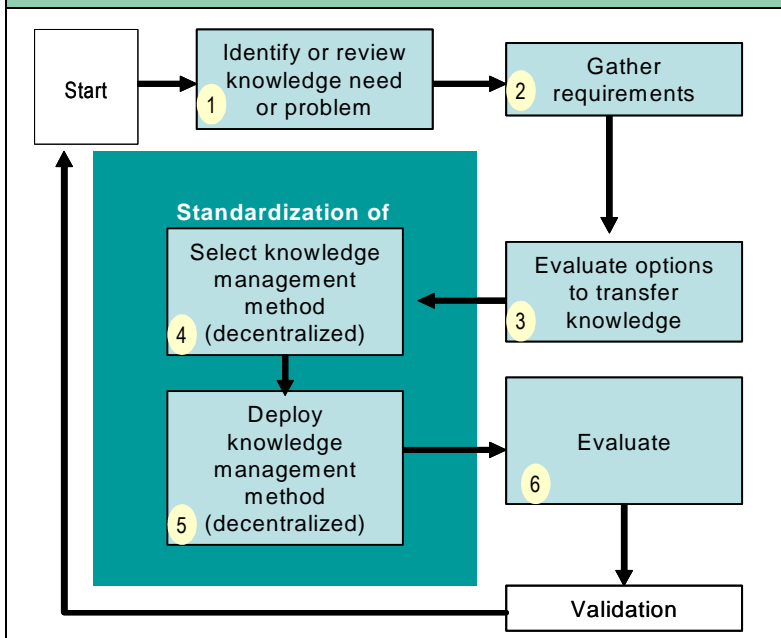
Knowledge comes from a variety of places such as IT liaisons participating in BU leadership teams, product steering committees, help desk ticket analysis, "performance management" issues review meetings, availability data, and performance feedback from internal and external customers. Feedback goes directly to systems owners for analysis. Recommendation of necessary corrective action is escalated to CITS leaders or the IT Governance Council (ITGC), as appropriate.

The IT Governance Council (ITGC) provides oversight for finance, budget, and strategic considerations. The ITGC is made up of Unit VPs and select subject matter experts and meets monthly to discuss standing items such as financials, high priority project status, and standards. The ITGC provides a forum to focus on technology related issues, to drive common technology standards, and to ensure IT is meeting performance needs. The ITGC guides deployment of resources through our IT project prioritization model, which takes into account strategic importance, ROI, risk, complexity, and time to deploy. Key performance gaps are identified at the monthly OR, discussed for corrective action at the ITGC, and deployed to specific system owners along with other system feedback.

4.2 b Organizational Knowledge Management

4.2 b We view knowledge management as a multi-faceted effort to make knowledge available to customers as well as internal staff and Contracted Suppliers. There are two important parts to managing knowledge – collection and transfer of employee knowledge (Figure 4.2-1) and co-production of knowledge with customers (Figure 4.2-2).

## Figure - 4.2-1 Collection & Transfer of Employee Knowledge Process

Start → 1 Identify or review knowledge need or problem → 2 Gather requirements

Standardization of
4 Select knowledge management method (decentralized)
5 Deploy knowledge management method (decentralized)

3 Evaluate options to transfer knowledge

6 Evaluate

Validation

Figure - 4.2-2 Knowledge Co-Production Process

1 Premier collects clinical and operational data from hospitals
Data transformed for comparison →
2 Data transformed based on quality and cost of patient care

Hospitals — Innovation Group — Performance Group — Opportunity Group
Top Performers — Performance — Lowest

3 Hospitals grouped one of three groups
• Innovative group
• * Performance group
* Opportunity group

4 Site visits conducted with the Innovation group →
5 Premier assimilates, documents the info to create deliverables →
6 Knowledge documented is communicated to hospitals in systematic ways

Figure 4.2-1 shows how knowledge is collected and transferred by Premier employees, although the process includes other key stakeholders. This is a team-oriented approach to knowledge transfer, which is accomplished using standardized tools, technologies and processes to fill needs or gaps identified through proactive research. Teams use standardized tools for collection and transfer, which occurs regularly to support continuous cycles of improvement. Our methods for collecting and transferring knowledge are as follows; large group meetings, work groups, surveys/market, publications, technology systems that are available 24x7, and functions to answer questions at any time. Each method is used by all constituents (customers, employees, suppliers, etc.) and most are conducted routinely on a weekly, monthly, or quarterly basis. Special activities within key events (e.g., Values Conferences, Breakthroughs Conference, project team and staff meetings, ASDs, and Quest

for Excellence Conferences) include the transfer of best practices among employees and customers.

All employees are equipped to manage e-mail and scheduling requests through MS Outlook, and use information management and sharing mechanisms such as InsidePremier, public folders in MS Outlook and group network drives. Knowledge repositories (Salesforce.com and Rapid Improvement Portal), Blackberries, a voicemail system, and high-speed home Internet connections are used to keep field staff connected to Premier and our customers.

We systematically share knowledge with customers in an effort to co-produce improvements. This six step process occurs regularly to enable continued process improvement. The methodology for systematically finding and transferring knowledge ensures that relevant information is transferred among employees, customers, Contracted Suppliers and others by:

- Tightly aligning our goals with customers (Figures 7.1-1 thru 7.1-14) and using performance indicators to show progress toward goals and status of operations.
- Involving customers, Contracted Suppliers, and Strategic Relationships in the processes.
- Including market research on the environment.
- Creating specific plans at operating unit levels to support priorities.
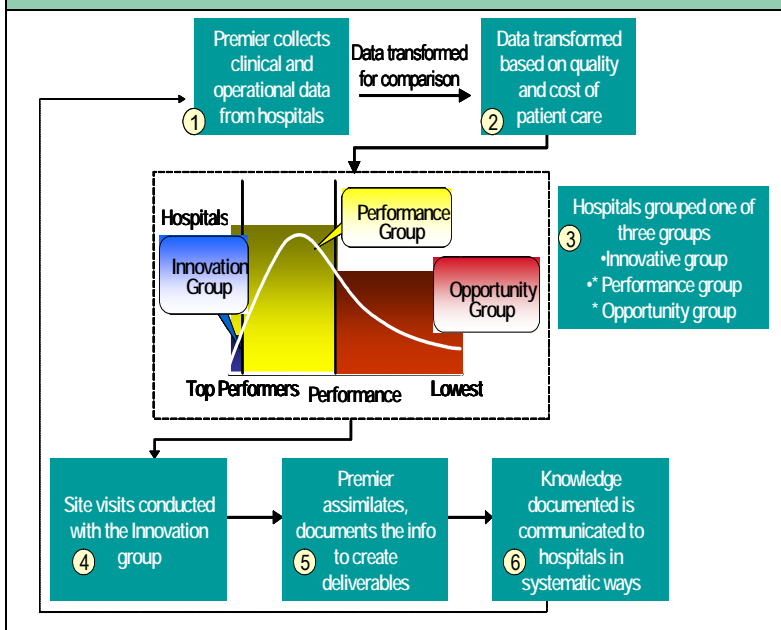
Every BU has responsibility to help customers with benchmarking and improving their performance (PP- supply expense data, HI- clinical and operational data, PIMS- claims data). Our customer databases bring tremendous value by enabling us uniquely to measure ourselves by their performance.

4.2 c Data, Information, and Knowledge Quality

4.2 c CITS and the BUs share responsibility for ensuring the integrity, timeliness, availability, reliability, security, accuracy, confidentiality of data and information, and organizational knowledge. This is accomplished through knowledge transfer processes and various hardware/software management systems as outlined in Figure 4.2-3. Each process includes an established set of checks and balances, employee training, audit tracking, and metrics to measure and monitor compliance and identify gaps or issues that may occur (Figures 7.5-9 through 7.5-10).

Figure - 4.2-3 Key Methods for Ensuring Knowledge Properties of Data and Information	
Organizational Knowledge Process	*Hardware/Software Management*
Security – Confidentiality and Integrity	
Computer information security program; risk analysis and assessment, risk monitoring, and education. Policies, standards, processes, and procedures	Security architectural standards; system security reviews; system monitoring; firewalls; anti-virus and anti-spam software; proxy servers; access control applications (Figure 7.5-21, others available at site visit).
Timeliness, Reliability, and Availability	
Architectural standards for hardware availability; Business Continuity Plan program and testing	Audits; change control process; service request process; disaster recovery; help desk; storage and back-up procedures; system (failure) response teams; pilots of newly deployed systems; system monitoring (Figure 7.5-4 and 7.5-5).
Accuracy	
Training; software development; data audits; performance engineering (monitoring)	Field limitations; software rules; QA processes; back-up and restore test process (measures available on site).
User-friendliness	
System development life-cycle management; training; project management; end-user testing	Help desk; computer system training; pilot programs; surveys

5 Human Resource Focus

5.1 - Work Systems

5.1 a Organization and Management of Work

5.1 a(1) Premier organizes its work systems through an organizational structure designed to best serve Members and customers and to ensure a high performing, values-driven culture. The three BUs that provide specific products and services to our customers organize work to drive the key customer enabling processes (Figure 6.1-1). Our support units are structured around functional expertise and manage support processes that best serve internal and external customers (Figure 6.2-1). Our work system is complemented by an extensive FS that serves Owners and customers on a daily basis and provides effective, timely and consistent feedback to help ensure Premier stays current with customer needs. Premier's FS enables us to respond rapidly to customer and market changes. Our internal work systems and FS structure places rapid decision-making and agility at the points of greatest impact for customers and business needs. Jobs are organized in department functions to allow for effective support, supervision, employee engagement and communication throughout the organization (Figure 7.4-1).

A support unit member is dedicated to support a specific BU and serves on the respective BU's Leadership Team. This cross-functional participation ensures effective integration across the organization and provides input into resource allocation and other BU needs which are captured in the Human Capital Strategy (Figure 2.2-2). Annually, during the SPP, Senior Leaders review their unit structures and modify as necessary to ensure Strategic Priorities are met.

Our Core Values (Integrity, Focus on People, Passion for Performance and Innovation) encourage a culture of cooperation, best practice sharing and skill development as evidenced by cross-functional teams deployed based on customer needs, process improvement needs, Corporate Goals and Initiatives, and action plans. The Annual Corporate and BU Goals are cascaded throughout the organization, and encourage employee and team initiative through the employee incentive plan. Employees are provided annual compensation incentives based on overall corporate performance and the attainment of Unit or Department Goals. Goals are outcome-oriented so as to empower teams and employees to determine how to arrive at a particular outcome. Goals are also generally interdependent and require cross-functional cooperation, skill and best practice sharing and innovation to reach stretch levels (Cat 2.2a-1). The Corporate and Unit Goals coupled with the Premier Core Values promote cooperation and agility as they focus all employees' efforts on providing high quality products and services to our customers. Agility and accountability is also achieved through the many cross-company team efforts such as SPP, Lean Six Sigma teams, Live Well Be Premier, Social Activities Committee, Social Responsibility Team, Contracting Council, Business Continuity/Disaster Recovery Team, Advocacy Team, Strategic Advisory Team, Sourcing Committee, Steering Committees, Diversity Council, Values Team, PEAK Team, Corporate Learning Council and employee systems such as compensation, performance appraisals, educational reimbursement, and rewards and recognition programs. These teams are organized around the processes they support and are responsible for maintaining and improving process performance using the PMIS (Figure P.2-1). High performing team behaviors are recognized through our annual Premier Team Award (Figure 7.4-2).

5.1 a(2) Our work systems capitalize on the diverse ideas, cultures and thinking of our employees and the communities where we live and serve through the use of process-focused work teams and cross-functional teams. All cross-functional teams are chartered to reflect the diversity of the workforce through ensuring appropriate representation of all business and support units (including FS representatives) and to provide the necessary mix of skills, job levels, and experience levels. This mix of employees allows for diverse ideas, cultures and thinking to be shared and built upon to deliver daily work and to meet customer goals. Premier customers often perceive our employees as an extension of their own management and staff (Figure 7.4-13). As such, FS employees reflect the diverse ideas and cultures of our hospital communities, thus allowing diversity to reach beyond our own employee base. This extension of our FS provides ample opportunity for employee innovation and shared decision making. Focus groups, Lunch and Learn sessions and knowledge sharing sessions, held in our offices with FS employees joining by conference line or video conferencing, provide opportunities for employees to share and collect diverse thoughts and additional skills. Our Premier Ideas program also allows for all employees to share their ideas, suggestions, questions and comments through our Intranet.

Figure - 5.1-1 Key Employee Communication Methods				
Types	*Media*	*Frequency*	*Flow*	*Participants*
Inside Premier	Intranet	Ongoing	One-way	All Staff
Values Conf	Live	Annually	Two-Way	All Staff
Monday Minutes	Email	Weekly	One-Way	All Staff
Cross-Functional Project Teams	Live & Teleconference	As planned	Two-Way	Team Participants
Business Line Review	Live	Annually	Two-Way	Unit Management
Business Unit/Staff Mtgs (All Hands Mtgs)	All media	As planned	Two-Way	Unit Staff
Unit Newsletters	Email	Monthly	One-Way	Unit Staff
In Your Best Interest	Live & Teleconference	Monthly	Two-Way	All Staff
Unit Databases	Computer Network	Ongoing	Two-Way	Unit Staff
CEO and Connections and Conversations Mtgs	Live & Teleconference	Bi-Monthly	Two-Way	All Staff
Training	All media	ongoing	Two-Way	All Staff
Premier Ideas (suggestions, ideas, questions)	Intranet	ongoing	Two-Way	All Staff

Figure - 5.1-2 Premier Performance Management System Process	
Step	*Process*
1	Establish Expectations (Define expected outcomes & behaviors)
2	Manage Performance (Provide performance feedback and support)
3	Measure and Reward Performance (Assess performance (Performance Appraisals), Reward appropriate outcomes/behaviors)
4	Improve Performance (Provide development and growth (IDP) for continued improvement and growth)

Additionally, Premier's Values Team and sub-teams are examples of how Premier gathers employee input and diverse opinions to guide organizational improvements. The processes facilitate a systematic collection of social responsibility, customer and employee input through an annual conference, a Values Team, cross-location sub-teams and a values e-mailbox. The Diversity Council is tasked to define our strategic diversity objectives and deploy initiatives that infuse our diversity commitment while engaging the broader Premier workforce in our diversity journey.

5.1 a(3) Premier's office layouts and physical environments promote openness and collaboration through grouped workstations, team rooms and common meeting spaces on each floor. Web-based tools and communications are easily accessed and shared by office and field staff ensuring all employees stay connected and up to date.

Formal communication, skill sharing and knowledge sharing approaches have been embedded throughout our work systems to support individuals and communication between business and support units. Monthly E-Team/OR meetings, monthly unit meetings, quarterly Connections and Conversations – All Employee Calls, and other regularly scheduled meetings create systematic knowledge sharing and communication systems. Information from monthly E-Team/OR meetings is cascaded to all employees through unit meetings.

Skill development and knowledge sharing begins during the recruitment process, where employees are introduced to our company, Core Values and expected behaviors. When employees join Premier, they begin an on-boarding process to understand ethics, values and corporate processes and attend the formal orientation program where they are introduced to communication processes and other critical organizational practices and processes. Orientation continues within the business and/or support unit for the first year of employment for all office-based and field-based employees (Figure 7.4-5). Given our widespread geographic presence, technology solutions are leveraged to promote communication. InsidePremier, our Intranet, is the central information repository, which all employees access, to stay current with Premier activities. Weekly, Monday Minutes e-mails are also sent to all employees to provide corporate updates. Web-based meetings, e-mail, phone conferencing and video teleconferencing capabilities, as well as face-to-face meetings and newsletters, and shared electronic folders further facilitate daily communication and skill sharing (Figure 5.1-1).Specific knowledge repositories (Salesforce.com and Rapid Improvement Portal) are used by our field and office based employees to provide rapid customer information and knowledge documents. To ensure effective skill sharing and knowledge sharing across locations and geographically spread field-based employees, All Hands employee meetings are held throughout the year to bring all employees together for sharing information and skills. All employees may submit suggestions or ask questions using the Premier Ideas employee feedback system. The Premier Learning Institute (PLI) provides training opportunities at all sites and for field-based employees, often through electronic means, to provide flexibility to remote employees (Figures 7.4-4 through 7.4-8).

Each year improvements are made to enhance our communications as shown in the Figure P.2-1.

5.1 b Employee Performance Management System

5.1 b Our four-step Performance Management System provides the foundation and specific processes for the management and development of all employees. It begins with a clear picture of employee expectations in Step 1(Figure 5.1-2). As part of the SPP, all goals and actions are cascaded to units and employees through Deployment Grids that outline employee performance goals to ensure line of sight to Corporate and BU Goal achievement. Managers meet individually with each employee to review and agree upon expectations and to identify support needed to accomplish goals. Plans are developed by managers and employees to support Unit Goal achievement. In Step 2, managers provide on-going feedback, coaching, and redirection, as appropriate, to individuals and teams to encourage goal achievement and Core Values-based behaviors. Both informal and formal interaction and review takes place throughout the year, with a minimum of two formal review meetings with each employee. Step 3 takes place at the end of each fiscal year, with managers meeting each employee to provide required

Figure - 5.1-3 Recognition and Reward Mechanisms	
Award	*Recognition*
The Premier Award	Values-based high performance
The Premier Team Award	Team-based high performance
Cash Spot Bonus	Project/Goal achievement
Premier "Turtle" Award	Innovation "sticking your neck out"
Employee Choice Award	Spontaneous values behavior
Service Recognition (5, 10, 15, 20, 25, 30 yr)	Service years with Premier
Commission Programs	Sales objectives
Unit Recognition programs	Behaviors and achievement

formal evaluation. The first part of the evaluation measures Corporate Goal achievement and individual contribution against fiscal year goals documented on the Deployment Grid. The second part is based on three dimensions: individual performance, Premier Core Values-based competencies, and leadership and team support skills.

For most, this incentive pay is based on both company and individual goal achievement in which employees can earn up to 150 percent of their target variable incentive compensation.

Premier has developed a compensation structure that is driven by a "pay for performance" philosophy and a goal of providing total compensation comparable to market. The Premier Job Evaluation Team, a cross-functional team led by internal and external compensation experts, analyzes role descriptions and market trends to establish appropriate job grading and market-based pay ranges. Annual lump sum or base pay increases reward high performers. In addition, every employee in the company is eligible for variable incentive pay.

This highly-competitive pay practice helps attract, retain and motivate the most qualified and capable candidates available. Additional mechanisms have also been designed for spontaneous and formal high performance recognition (Figure 5.1-3).

In Step 4, employees work with managers to identify performance strengths and opportunities for improvement and to document appropriate development objectives and action plans through Individual Development Plans (IDPs). Employees are encouraged to take advantage of available learning and development tools and courses to foster skill and competency building and support future career aspirations. Learning and development programs for all employees are designed to grow employees and strengthen our business goals and customer commitments. The Performance Management System is evaluated each year by employees and Senior Leaders to determine opportunities for improvement. Each year improvements have been made through implementation of employee ideas and suggestions as shown in Figure P.2-1

5.1 c Hiring and Career Progression

5.1 c(1) Premier Core Values and 11 associated values-based core competencies permeate the selection and hiring process. In addition to the Core Values-based competencies, higher level, band-specific and job-specific competencies also are determined using a job evaluation process involving the hiring manager, recruiter, HR Consultant and compensation staff. During the position planning and posting phases of the recruitment process, the recruiter and hiring manager openly discuss and identify job success factors. The outcome is a position description identifying job success factors and the Core Values-based

competencies used by the recruiter to search for qualified candidates. A competency-based evaluation form is used to monitor and measure candidates during the recruitment and selection process.

5.1 c(2) To promote internal growth and development opportunities, all open positions are posted first on InsidePremier. All internal candidates are given an opportunity to apply. If internal sources are exhausted, Premier's employee referral program, which provides a $500 bonus if a referral is hired, is an effective method for identifying external job applicants. During the past two years, Premier has received more than 336 employee referrals, resulting in 52 hirings. In addition, the electronic recruitment system, Open Hire allow for collection and on-going maintenance of applicant profiles. The recruitment and selection process is shown in Figure 5.1-4 (Figure 7.4-4).

Figure - 5.1-4 Employee Recruitment Process	
Step	*Process*
1	ID Need
2	ID Sourcing Strategy
3	Review Applicants
4	Conduct Three Phase Interviews
5	Conduct Reference/Background Checks
6	Communicate Offer (or Decline)
7	Prepare Onboarding & Orientation

Each open position may have a varying degree of "difficulty to find" or niche scenario according to the specialization of the desired skills. We begin by posting jobs to the Internet job boards to reach a vast majority of job seekers with various backgrounds at one time. Additional networking strategies are deployed when specialized jobs and skill-sets are required. We also post jobs on industry specific and association Web sites. By advertising and networking within these organizations we are able to identify and attract people with the specific skills necessary to perform the job. We also have a formal college recruiting program to assist with specific recruiting needs in some areas of business (Figure 7.5-17).

Our recruitment and selection practices capitalize on the diverse skills and experiences needed to accomplish our goals. The recruitment and sourcing programs target a diverse workforce, and as a result, Premier's employee population mirrors much of our hospital community demographics and communities in which we work. We access publications and Web sites to ensure a selection of candidates that represent the diverse ideas, culture and thinking of our hiring community. We also access a number of colleges and universities for the recruitment of diverse candidates for entry level hires and top MBA candidates for experienced hires. Recruitment efforts focus on Premier's commitment to values, teamwork and improving healthcare to peak the interest of potential candidates.

To ensure a smooth transition into the Premier community, our on-boarding program orients new employees to the Premier culture, starting on the first day of employment, and further ensures that they have the tools and resources to meet significant and measurable milestones through their first year (Figure 7.4-5). Additional success factors in retaining employees include a competitive pay and benefits program, recognition and reward programs, a values-based culture and numerous employee development opportunities. Our recruiting staff and BU leaders work together to identify additional opportunities for increasing our community span of influence.

Hiring and retaining a workforce capable of producing value for our customers is a challenge and is important to the sustainability of our organization, therefore we have taken steps to improve our hiring and career progression processes as shown in P.2-2.

5.1 c(3) To accomplish effective succession planning for leadership and management positions, Premier uses the Talent Pipeline process to identify, develop, and position future leaders. Using a Talent Identification Matrix, individual leaders, with assistance from their HR Consultant, refer to a set of performance standards to assess candidate's current performance and future potential for the talent pipeline. Each BU Leader is required to identify successors and create a targeted succession plan in the event of leadership position shifts. E-team leaders meet annually to evaluate succession decisions and position placement for future leaders across the organization. Leaders work with potential successors and future leaders to identify plans for leadership development and career progression. Premier's High-Performance Development (PHD) program (leadership development program aimed at growing the capabilities of Premier's future leaders) along with external leadership development programs, mentoring and coaching, and executive loan programs enhance career development for selected future leaders (Figure 7.4-9).

To encourage career growth and progression for all employees, Individual Development Plans (IDPs), are created by all employees in partnership with their manager. IDPs define education and growth opportunities and career aspirations. HR Consultants work with unit leaders to identify high performing individuals at all levels of the company. This is accomplished by using a consistent set of performance standards, by measuring potential based on past achievements, by demonstrated ability to learn new skills and by the willingness of an individual to tackle bigger, more complex or higher risk assignments. Career progression and individual development are also supported through Premier learning opportunities, tuition reimbursement and company paid professional organization memberships, and conferences.

5.2 - Employee Learning and Motivation

5.2 a Employee Education, Training, and Development

5.2 a(1) Premier learning and development is designed to enable and support the skill needs, environmental and technology changes, strategic plans, safety and regulatory requirements, critical competencies and business skills that enhance customer requirements. All learning is planned to address office and field-based employees and appropriate learning vehicles are applied to serve both communities of learners.

The Corporate Learning Council (CLC), led by HR and Premier Learning Institute (PLI) staff, ensures employee education, training, and development address our organizational needs. The PLI is an in-house

Figure 5.2-1 Education and Learning Planning Process	
Step	Process
1	Understand organization's strategy, goals, and initiatives
2	Understand business goals and resource needs
3	Identify and assess skills and resources
4	Identify gaps and develop improvement/education plans
5	Align resources and programs
6	Measure
7	Improve

institution that facilitates the identification and delivery of appropriate training programs and manages all training administration. The CLC is composed of unit and FS representatives and is responsible for developing the annual learning and development plan using the Education and Learning Planning Process (Figure 5.2-1) to address employee learning and development needs. This process begins with gathering information from the SPP, BU Goal Grids, and employee Individual Development Plans to identify critical learning and development gaps and needs. Additional inputs into this plan include employee information; completed IDPs; deployment grids; training evaluations, Workforce Engage results; safety and regulatory requirements; and annual performance reviews (Figures 7.4-5 through 7.4-8).

This process is used to balance short- and longer-term development needs and ensure training and knowledge sharing opportunities are developed within the context of Strategic Priorities and identified performance improvement needs while encouraging the personal and professional growth of all employees.

Additional functions of the CLC include providing feedback regarding emerging technological advances affecting their unit or core processes; identifying and aggregating corporate and unit learning needs; sharing best practices; and working with the PLI to implement system-wide learning approaches and methods that address business goals, technology needs and individual career development needs. Premier's current education and training strategy is aligned to Strategic Priorities, Corporate and Unit Goals, and Premier's overall purpose.

5.2 a(2) The learning and educational needs revealed by unit strategies developed during the SPP are addressed at the HR (corporate), BU, and team levels through the following channels:

New hire on-boarding and orientation: This comprehensive program begins with a corporate orientation, manager on-boarding resources and a facilities/safety orientation to address the development needs of all new employees. FS employees also participate in orientation with office-based employees. Field employees residing in our Member hospitals are provided on-boarding and orientation to their specific worksites through hospital programs. Participants are surveyed on all components of the on-boarding process to measure results against objectives and identify improvement opportunities (Figure 7.4-5). The orientation is enhanced annually to address business needs and critical requirements. Improvements are made based on learning from other companies and employee feedback to ensure employees are successfully acclimated to Premier and provided the knowledge to be effective in their roles.

Diversity: To ensure our commitment to creating a values-based inclusive community, educational opportunities are created to share diverse knowledge and thinking. Managers receive training related to employee law. A Diversity Council, made up of cross-organizational employees, has been launched to identify additional educational needs to address diversity issues.

Ethical business practices: Annual CoC training, developed to address our ethical requirements, is required for all Premier employees and provided on-site, through video teleconference and Web-based technology by our Corporate Ethics Officer (1.2b-2). Ethics training is also integrated into our orientation programs. Annual surveys are conducted and results are reviewed by Senior Leaders and BoD to ensure ethical leadership within the industry (Figure 7.6-9). Additional CoC training is provided within BUs to ensure all responsible employees understand our ethics responsibilities and practices.

Management and leadership development: Management training is developed to address the responsibilities of and critical skills for Premier management. Required leadership development processes and training offered at various levels within the organization include: Managing at Premier, Situational Leadership, Manager Forums, and executive coaching. Managers are provided with a Premier Manager's Toolkit to support critical learning needs and management processes. Training is evaluated annually and improved to address managers' improvement suggestions and to incorporate additional practices, as needed.

Process Management and Improvement process: All employees are provided foundational process management tools through Process Management and Improvement System (PMIS) training and are provided individual process management toolkits to support on the job just-in-time training. Lean Six Sigma training is provided for selected Champions, Greenbelts and Blackbelts from across Premier. Process Matter Experts (PMEs) are selected from each BU and 25 percent of their work responsibilities are dedicated to supporting process management and knowledge sharing within their units.

Specific Business Unit skills: Training is developed based on business needs and customer requirements.

Employee, workplace and environmental safety: Premier's focus on employee, workplace and environmental safety includes a new hire facilities/safety orientation, work station ergonomic review, evacuation and disaster recovery drills and monthly "In Your Best Interest" sessions. Employees working in hospital settings are provided additional specific workspace and environmental safety training specific to their worksites (Figure 7.4-2).

5.2 a(3) As part of the seven step education and learning planning model, employees and supervisors provide input via the PLI training evaluation form, CLC, multi-source feedback, employee performance appraisals, succession planning, IDPs, exit interviews, skill assessment results, HR survey, Workforce Engage (WE) survey and other feedback mechanisms. The CLC and PLI review these inputs to identify organization-wide and unit specific learning priorities. Programs and topics are recommended incorporating internal and/or external employee training subject matter experts. A train-the-trainer approach is often used to leverage content expertise and training skills within the organization. Best practice sharing is provided by content experts to leverage learning and knowledge sharing across the company during All Hands Meetings, annual Values Conferences, Breakthroughs Conference (participants include both internal and external experts), and office-based and Web-based knowledge sharing sessions.

5.2 a(4) Education and training, and their methods of delivery are tailored to meet varied learning styles, locations, and subject matter. During annual planning, feedback from employees and supervisors is collected to design programs that best fit the needs of individuals and business requirements. Throughout the year, employees provide suggestions for programs and delivery through the Cornerstone Learning Management System, our enterprise-wide human capital and learning management system. This information is used to improve programs and delivery. Corporate-wide training is typically designed and delivered through the PLI. Training is conducted through various mediums including classroom, conference calls, Webinars, manager forums, Values Conferences, "In Your Best Interest" sessions, Monday Minutes, the computer lab, e-learning and as a regular portion of BU staff meetings. Formal mentoring programs have been effective in some units for transferring job-related knowledge and skills to new employees.

E-learning delivery is increasing to meet the needs of a diverse FS and provide just-in-time training. Unit specific skill training is designed and delivered by unit training representatives or subject matter experts with support and consulting from the PLI and, at times, external consultants. Additional feedback from employees and managers about training delivery is gathered through evaluations provided after each session. Unit trainers, the CLC and PLI staff aggregate and systematically review the data to improve approach and delivery (Figure 7.4-6).

5.2 a(5) Job skills and knowledge enhancement are reinforced through training in job specific tools and techniques. Supervisors monitor employee progress and provide feedback as anticipated changes are noted. Learning is also reinforced through the Performance Appraisal process, supervisor and employee review of IDPs, new employee buddy and mentoring programs, and updating and re-grading of job descriptions as new responsibilities, skills or competencies are required. Team-based projects and learning are used to reinforce knowledge and skill sharing. Some examples include our sourcing project teams, CMS project and various process improvement projects. Instructors reinforce training and job skills development by soliciting informal feedback from course participants and their supervisors to determine whether training programs have met unit and employee performance objectives. Such feedback is used by the PLI to improve training content and delivery. To ensure systematic transfer of knowledge from departing employees, job guides are provided for specific jobs and updated by units as processes change and improve. Transition plans for employees exiting the organization ensure effective knowledge transfer. Exiting employees provide information for improvement to support knowledge transfer to new or future employees. Our PMIS (Figure P.2-1) contributes to our knowledge transfer efforts by ensuring documentation of key processes.

5.2 a(6) Training effectiveness is assessed through several evaluation levels (based on the type of class/learning being offered), using the Kirkpatrick Model. Kirkpatrick Level 1 includes a post-training evaluation focusing primarily on the student's opinion of the training and the instructor. All Premier training uses a standard evaluation form. Additional courses are evaluated at Kirkpatrick Level 2, using pre- and post-tests or checklists to determine if staff learned the concepts/skills outlined in the course objectives. Sales training is measured using Level 4 – return on value measurements. Some PLI classes ask participants to complete post training surveys used to ensure follow up and improved job performance after training (Figures 7.4-4 and 7.4-6).

Internal training is also evaluated at the organizational level via employee performance/competency appraisals, WE surveys, on-boarding surveys, and the annual HR department survey. These inputs are aggregated and reviewed quarterly by PLI staff, HR consultants, and the CLC to determine areas of improvement regarding organizational learning and alignment with strategic goals. Training metrics and effectiveness ratings are also included in monthly Ors. Improvements to education, training and development processes over the years are shown in Figure P.2-1.

5.2 b Motivation and Career Development

5.2 b Premier motivates employees through three avenues: manager recognition of employee accomplishments, "stretch opportunities" and work/life balance. The Recognition and Rewards Values Sub-Team works with the HR department to establish and communicate guidelines and suggested methods for spontaneous recognition. Managers are encouraged to recognize employees via weekly meetings, monthly newsletters, Employee Choice Awards, thank you notes and award

ceremonies. Secondly, employees are motivated through "stretch opportunities" in which a manager provides specific added responsibilities to enhance employee development and increase visibility. These include participation on BU specific work initiatives, Lean Six Sigma Initiatives, Premier's Values Teams, Performance Excellence Assessment and Knowledge Team (PEAK), steering committees and numerous unit level cross-functional teams. Employees are often recommended by their supervisor for these teams based on their identified development needs/aspirations in their IDP. Lastly, Premier supports work/life balance through various programs. For example, flexible work scheduling and in-home work arrangements offer employees the opportunity to manage home life situations, seek advanced education opportunities during normal work hours, and so on. In addition, Premier employees enjoy numerous organized social activities that promote a sense of community.

 Premier employs two primary approaches to support employee job and career development. First is the IDP, which emphasizes coaching and individual development through the setting of annual "personal commitments" that include learning goals. The second approach is Premier's tuition policy which pays 100 percent of employee out-of-pocket costs up to $3,500 per year. The executive loan development program provides full financial support through no-interest loans to further an exemplary employee's executive level education. In addition to IDPs and education assistance programs, managers assist employees in job and career development and learning objectives through our performance management tool, IDP follow-up, talent pipeline process, and skills inventory and assessment. The performance management tool was revised last year to ensure greater dialogue between managers and employees and to increase focus on strengths and development/career opportunities. All avenues for motivation and career development are designed to impact both office- and field-based employees (Figures 7.4-8 and 7.4-9).

5.3 - Employee Well-Being and Satisfaction

5.3 a Work Environment

5.3 a(1) Premier's "Focus on People" Core Value embodies our

Figure - 5.3-1 Health and Safety Initiatives	
Initiative	*Performance Measures/Targets*
New hire facilities orientation (H, S, Se, E)	Signed new hire safety acknowledgement form. Target: All new hires
Security spot checks (Se)	Target: Improvement trend over time
Evacuation drills (S)	Evacuation time. Target: Less than five minutes
Injury and illness prevention Plan (H, S, E)	Worker's compensation experience modification (7.4-3). Target: less than one Accident reporting
"In Your Best Interest" program (H, S, Se, E)	Voluntary attendance counts, repeat program requests and additional info, manager and employee feedback Target: Min 50 employees/session
Business continuity plan (S, Se)	E-sourcing system recovery time objective. Target: 72 hours
Annual flu shots (H)	Target: Availability to all employees
Key workplace factors: (H) Health, (S) Safety, (Se) Security, (E) Ergonomics	

commitment to providing a safe and positive work environment. During the first week on the job, new hires, as part of the on-boarding process, meet with Workplace Resources (WpR) or an HR staff member for facilities orientation. Annual ergonomics education tools are provided through the Intranet to reinforce workplace safety. In addition, regular "security spot checks" are conducted by Premier's IT department. Departments that work with HIPAA-defined protected health information are checked three times per year, while others are checked twice per year. IT audits include seven specific areas such as PC lock down, password protected screen savers and security of sensitive papers and files. Results are tracked and reported to senior management. Field-based employees can access specific workplace health, safety and security, and ergonomics information through InsidePremier. Employees residing in our Member hospitals are provided safety and workplace training that pertains to their specific worksites through hospital orientation programs (Figure 5.3-1).

Employee security is important and our buildings are secured and can only be accessed through the receptionist or with an employee security card key. In addition, there is a security guard available 24x7 to patrol our parking lots, inspect our buildings, assist with heightened security needs and escort employees to their cars after hours (Figure 7.4-2).

Employees are involved in work environment improvement through committee involvement (e.g., Safety Committee and Evacuation Team), attending training, or participating in drills to assess the "Find your Flag" employee evacuation plan effectiveness. Employees are encouraged to provide feedback at any of these times or via established Workplace Resources' e-mailboxes.

5.3 a(2) Premier's BoD requires development and maintenance of a Business Continuity (BC) Plan, protecting employees and Owner/member interests. A Disaster Recovery (DR) Steering Committee, composed of senior managers and a full-time, certified BC/DR manager, oversees the process which addresses not only critical systems and services recovery, but work area recovery, communications, security, and safety issues. Following accepted BC standards, the process takes into consideration varying customer needs in a dynamic cycle of process evaluation, risk mitigation, response, recovery, restoration planning, exercises, and plan maintenance. A "BC champion" within each area provides legitimacy and authority for the process, while a "BC coordinator" is responsible for building and maintaining the plan developed and owned by that area.

In the event of a disaster, an alternative e-mail/messaging system through MessageOne, is used to ensure continued communication with employees, Members, and suppliers. A remote worksite location, contracted through a third party, provides a secure, safe alternate work area for displaced employees, while an on-site generator ensures Premier's data center is protected from unexpected power interruption.

The ability to recover and restore essential customer-facing systems in the event of a disaster is critical to meeting customer needs. Recovery time targets are based on an internal business impact analysis and risk assessment which outlines the amount of time a system can be unavailable without significant risk to the customer, including factors such as customer satisfaction, perception, and revenue impact. Drills are conducted to ensure successful recovery of our five key operating systems. KPMG has audited our disaster recovery processes with no negative findings. "In Your Best Interest" is a program which incorporates awareness and training to educate employees on business continuity, asset protection, safety and security issues that affect them

both at home and at work. This program provides regularly scheduled presentations, e-mails, Web-based information, posters and notices to keep employees informed. Requests and feedback from employees determine the direction and content of future programs.

Improvements to our work environment over the years are shown in Figure P.2-2.

5.3 b Employee Support and Satisfaction

5.3 b(1) Key factors affecting employee well-being, satisfaction and motivation are determined by analyzing feedback gathered through the employee feedback and communication methods (Figure 5.1-1) as well as our biennial Workforce Engage (WE) survey and quarterly pulse surveys and exit interviews. Using data from the survey, extensive statistical analysis is conducted, resulting in numeric and graphical summaries for each of the questions. Premier conducts additional inferential statistical analysis using segmentation of location, business and support units, and specific groupings to identify critical success factors for all Premier employees and specific segmented groupings. Key drivers of employee satisfaction are reviewed and validated through information analysis from the communication methods and during our annual all-employee Values Conference. This information is used by leadership to guide critical employee related decisions. Key factors identified for specific groups are used to enhance the workforce planning within HR to ensure all segmented groups are understood and improvement opportunities are identified with employees. BUs review segmented unit survey results annually with employees in focus group settings to identify WE improvement opportunities and action plans. Currently, our key drivers of employee satisfaction are: employee opportunities for advancement and growth, management listening and caring, organization practices what it preaches, employee recognition and value, keeping employees up to date on critical issues, employee usefulness, employee pride in Premier, team member respect, and stress level management (Figures 7.4-10 through 7.4-12).

5.3 b(2) Premier is able to attract a diverse workforce and meet employee and business needs by offering a variety of highly-competitive benefits, policies and services. When developing offerings, Premier gathers feedback through employee communication methods that include annual open enrollment benefit sessions conducted at each site and Web conferences for field staff. Premier's services, benefits and policies take into consideration our extensive geographic presence as well as the composition of our workforce. For example, many of Premier's benefits are deliberately established to be accessible from any location − the medical, dental and vision insurance networks are nation-wide and the employee assistance program can be reached by any member of an employee's household through a toll-free number. The composition of Premier's workforce includes individuals at all phases of the life cycle and Premier's offerings support these various phases. For employees just starting their retirement planning up to and including those approaching retirement, Premier offers a rich 401k match and pension plan along with Web-based interactive quarterly financial planning sessions from Fidelity Investments. To enhance Premier's work/life balance initiatives, we offer salary continuation for new mothers while on medical leave and we welcome their return to work by providing a lactation/nursing room in each office. Employee and career development is strongly encouraged through Premier's tuition reimbursement plan, executive loan programs, talent pipeline process and the PLI. Lastly, Premier's life insurance benefit includes free financial counseling and support services up to six months after the death of an immediate family member.

Through formal and informal means of employee feedback, we recognize employees have diverse interests, which Premier proudly supports. Our Social Responsibility Program endorses individual volunteering with an associated corporate match as well as paid team-based volunteering during work hours. Regular "In Your Best Interest" sessions cover assorted topics such as identify theft protection, summer safety, computer back-up/home computer guidelines, etc. Premier's "Live Well, Be Premier" wellness program offers free flu shots, stress management sessions and on-site exercise. Lastly, annual formal holiday luncheons for employees and social summer gatherings help to promote a cohesive Premier community.

5.3 b(3) An all-employee WE survey is administered on a biennial basis. Premier aggregates and analyzes results organization wide, by location (including on-site and off-site), BU and other employee groupings, as appropriate. Results are also shared at all levels of the organization (Figures 7.4-10 through 7.4-12).

Units, along with their HR Consultants, conduct feedback sessions with employees to better understand their survey results. Employees are encouraged to ask questions about the results and to provide feedback as to what the results may mean to the unit and the organization. Unit leaders with their HRCs, review the results along with key metrics (i.e., turnover, exit interview data, employee relations issues, etc.) to develop an employee engagement improvement action plan. All business unit plans are aggregated and organizational action plans are developed, as needed and incorporated into the HR strategic plan when HR support is needed.

The top factors affecting employee satisfaction are determined following each full WE survey and are used as the Premier WE Index, based on 11 core questions (Figure 7.4-11). Quarterly WE pulse surveys are also conducted of a random selection across the organization using the 11 WE index survey questions to allow managers and leaders to monitor and take action to improve workforce satisfaction. The pulse survey provides an opportunity to add custom, BU specific questions for immediate effectiveness measurement of employee engagement improvement plans. Pulse surveys also enable Premier to monitor changes in the key drivers of overall satisfaction and unit specific issues. The annual Values Conference provides opportunity to engage employees in reviewing satisfaction factors and determining opportunities for improvement. Additional information and satisfaction indicators from employee exit interviews, retention, safety and performance reviews are reviewed by HR leadership and within business and support unit leadership teams to understand and address employee satisfaction. Employee improvement teams are developed and deployed as needed to identify actions and implement improvements. Figure P.2-2 outlines some of the key improvements implemented.

5.3 b(4) All workforce engagement assessment and focus group findings, exit interviews, performance evaluations, communications practices and employee programs, are used as input into our SPP. This analysis allows Senior Leaders to identify areas of potential WE staff shortcomings and evaluate by analyzing key measures of organizational performance relative to employee data such as competency and performance appraisal results and educational needs. Premier prioritizes which employee satisfaction and engagement improvements will best enable our employees to achieve individual and Corporate Goals and align with educational needs, recruitment strategies, wellness programs and other employee engagement priorities. Measurement methods to track improvement are determined and goals are deployed

throughout the company, as necessary. The employee satisfaction goals and measurements become integrated into our overall goals progress review process. Improvements are regularly posted on InsidePremier and reported at Values Conferences, in unit meetings, on employee calls, and in Monday Minutes.

6 Process Management

6.1 - Value Creation Processes

6.1 Premier's Leadership System (Figure 1.1-1) guides the selection, validation, effective measurements and controls, and improvements of our key processes through our annual risk assessment and internal audit processes (Cat 1.2a1) and our Process Management and Improvement System (PMIS) (Figure P.2-1).

6.1a(1) Key value creation processes, their requirements, and metrics are shown in Figure 6.1-1. Annually we conduct a risk assessment of each of our key business and support processes. Through this assessment, Senior Leaders identify high customer interfacing and/or customer impact areas of *potential* risk based on a "9 block heat map" to determine both the level capability of occurrence and potential impact. Key processes scoring higher on the heat map are targeted and prioritized for further analysis through our internal audit process which is conducted by our third party auditors (KPMG). Based on audit findings, process improvement teams are created to identify and implement improvements. These team findings, action plans and progress are shared and monitored by E-Team and Audit Committee of the BoD and incorporated as inputs into our SPP.

During the SPP, we supplement this information with customer information (requirements and feedback) obtained from customer surveys, SWOT, and market analyses. This information is aligned to our strategic goals and objectives from which key processes are validated and potential new processes identified that will support goals and increase customer value. These processes strengthen our commitment to being a major influence in reshaping healthcare and to helping our Owners be the leading healthcare systems in their markets. By using the Five-Step PMIS (Figure P.2-1), each BU Leadership Team further defines and develops its BU core processes to support Premier's value creation processes. We define value as "full responsiveness to the needs and expectations of our Owners and other customers." These processes help us create and deliver products and services that are directly aligned with key customer requirements or company values. This alignment ensures that the processes create value for Premier, our Owners, other customers and stakeholders by meeting needs and requirements, enhancing customer loyalty and commitment, mitigating risk, and contributing to greater profitability and business success.

6.1 a(2) During the risk assessment process, process and control requirements are identified. These requirements are incorporated in the first phase of the PMIS, where three additional sources of process and customer requirements are identified, aggregated and evaluated using analytical tools (e.g., affinity diagram, CTQ tree).

The first source of requirements comes directly from the various customer groups through the Listening and Learning methods (Figure 3.1-2), and are segmented by customer types (P.1-1). The second source of requirements comes from our BI through competitive and market intelligence (3.1a-2). This information is gathered during annual market scans, through meetings with customers, Contracted Suppliers,

and industry meetings and publications. The third source of requirements comes from Premier's engagement in national and state healthcare associations, quality organizations, and the like, and in meeting federal, state and local laws and regulations. These requirements are identified and validated through our legal and ethics staff, Senior Leaders, and other staff engaged directly with these organizations and agencies. These sources are used to ensure that customer and process requirements are comprehensive, fully understood, and systematically integrated into process design and delivery of value. Key requirements from these three sources are listed in Figure 6.1-1.

6.1 a(3) Value creation processes are designed to meet identified key requirements through the consistent and systematic use of the PMIS. The PMIS enables process management and improvement activities as well as new process identification and design. During PMIS Steps 1 and 2 standardized process improvement tools (e.g., VOC, QFD, FMEA, etc) are used by BU teams to identify and determine products and services that meet their customer and process requirements. BU leaders select a team of key stakeholders and process owners to map and document each process. Through documentation, the team identifies, evaluates, and incorporates appropriate and cost-effective new technologies, methodologies, flexibility and/or organizational knowledge into the process. Factors relating to cycle time, productivity, cost control, process efficiency and effectiveness are addressed through techniques such as market basket indices and reverse auction deployment. These factors are refined and embedded into process design during the second stages of PMIS, and are measured and monitored during the third and fourth steps. Before any value creation processes are activated or major improvements implemented, specifications and expected outcomes are reviewed by BU leaders. The BU Leadership Team, and others responsible for process delivery and management, review and give final approval. Decisions are made based on the process's ability to meet and exceed its design requirements. Processes that have direct customer impact are further evaluated by external user groups. User groups are created to engage customers in pilot programs that validate process designs and to ensure designs meet key requirements before deployment. User groups provide on-going input and process improvement opportunities. The implementation of our sourcing workflow management system (PASS*port*) and the 2nd improvement cycle to our Clinical Advisor Quality Measures process are two recent examples of our process design and validation steps. In addition, a number of key processes have undergone extensive internal review to ensure key requirements are being met and that improvements for efficiency and effectiveness are addressed.

6.1 a(4) During PMIS Step 4, key metrics and indicators, listed in Figure 6.1-1, are identified to evaluate the effectiveness, control and improvement capability of the key value creation processes. Core process management occurs at the BU level. Within the three BUs, dedicated operations teams work with managers to monitor and track daily product and services measures. PP and HI have daily production and sales schedules to meet forecast timelines and product and service development.

PIMS uses claims data and closure rates to track daily operations. Within PP, for example, contract product area managers monitor eight specific contract milestones (cycle times) using project plans and a master contract calendar. Through weekly contract status meetings, if any of the eight milestones miss targeted dates, leaders are notified and immediate action is taken to bring the contract product area back within

Figure - 6.1-1 Value Creation Processes

Value Creation Process	Key Requirements	Selected Key Measures (Others available on site)
Purchasing Partners: • Contract sourcing • Contract management • Contracted Supplier performance • Recruitment, retention, field management and consulting	• Contract timeliness • Contract Price • Portfolio breadth • Data accuracy • Technology-enabled tools • Contract T&C compliance • Field expertise • New Member recruitment	• New contract notification – average days (7.5) (EP) • Pricing Comparison (7.1) (EP) • Product Portal Contract Awards (7.5) (IP) • Total # of Diversity Contracts (7.6) (EP) • # of Contracts in Portfolio (7.1) (EP) • CAMs accuracy (7.5) (IP) • Supply Chain Advisory boarding (7.1) (EP) • Supplier Compliance Scorecard (7.5) (IP/EP) • New contract penetration (7.5) (IP) • Total customer savings (7.1) (EP) • New net purchasing volume (7.3.) (EP)
Healthcare Informatics: • Product and services development • Product and service delivery • Sales and service delivery (account management)	• Timely product release • Data timeliness, accuracy, and completeness • Data availability and access • Renewal • Knowledge sharing • Field expertise	• ADLC Developing-Compliance Score (AS) (EP) • Clinical Advisor reloads (7.5) (IP) • Clinical Advisor implementation (7.5) (EP) • Clinical Advisor data timeliness (7.5) (IP) • Product availability and performance (7.5) (IP) • Informatics renewal rate (7.2) (EP) • Composite quality score (7.1) (EP) • Total Validated Savings (7.5) (EP)
PIMS: • Needs and solutions identification • Risk assessment and manage product • Risk and claim management	• Insurance offering and stability • Underwriting Risk • Claim Management	• AEIX combined ratio (7.3) (EP) • AIEX education program satisfaction (7.1) (EP) • AEIX policy insurance cycle time (7.5) (IP) • Reserved to resolved variance (7.5) (EP)

Key: Available on Site (AS); In-Process (IP); End Process (EP)

its cycle time specifications. In addition, PP leaders monitor a final contract notification outcome measure (Figure 7.5-1) as one key customer satisfier for this process.

To ensure Premier is continuously meeting key process requirements, weekly, bi-weekly, and monthly BU Leadership Team meetings are held to review in-process and outcomes indicators (Figure 6.1-1), evaluate process effectiveness based on in-process measures being in control, identify necessary corrective action for measures that are not meeting expectations, and create corrective action plans. Through regularly scheduled meetings with Owners, Contracted Suppliers, and advisory committees, key process measures are shared via rolled up scorecards such as the Supplier or Committee Member Scorecards, and additional inputs and feedback regarding process performance are gathered. In addition to audit findings, these additional inputs help identify and contribute to process improvement initiatives. Contracted Supplier performance standards are outlined in Premier's request for information (RFI) and those process requirements are monitored for all contracting suppliers. Monthly reports are provided to leadership during ORs. The measures are being tracked and monitored and have been newly refined based on customer feedback.

6.1 a(5) Costs associated with inspections, testing and process audits are minimized through the consistent use of the PMIS and standardized tools and methodologies for determining key processes, requirements, and measurements. Embedded within all data management functions are automated checks and business rules that further reduce data errors and rework. In-process QA steps are built into product development life-cycle processes. Many manual and labor intensive processes, such as contract negotiations and sales, have managerial reviews and checklists

to ensure requirements are met and to prevent or minimize rework and product/service defects. These checklists and sign-off documents are part of the official product record and are periodically audited to ensure compliance. Audit reports and metrics are tracked and shared with BU and SU leaders and appropriate staff. In the event of significant negative audit findings, additional training or other appropriate action steps are taken to minimize need for future inspections and to reduce process or product defects.

6.1 a(6) Each key value creation process is reviewed and validated annually during the risk assessment process and linked to SPP. Internal audits and process improvement teams identify gaps and opportunities using data from customers, Contracted Suppliers and other constituents. During ORs, monthly internal audit calls (chaired by our SVP of Finance), and other leadership meetings, process gaps and opportunities are prioritized (4.1b-1). Industry best practices and benchmarks are also identified and implemented (4.1a-2). Additionally, by sharing of key metrics with various customer and supplier groups, key process effectiveness is continuously evaluated in relation to audit findings and current and future business needs. As these processes are improved, appropriate levels of communication and training occur across BUs. Major improvements are shared monthly during leadership meetings. Significant improvements are shared with all employees through knowledge sharing mechanisms that include publications, Intranet postings, and sharing venues at BU employee meetings (Figures 3.2-1 and 5.1-2). The BUs, through process improvement teams, engage in PMIS Step 5 (PDCA) to reduce gaps and capitalize on identified opportunities. Process improvement teams use PDCA and Lean Six Sigma methods and tools (e.g., control charts, Pareto, value

stream mapping, brainstorming) for continuous improvement. Process variability is reduced through standardization of steps, process mapping and documentation, and communication and training. Variation reduction and process standardization, for example, has contributed toward cycle-time reduction and less process rework in our contract notification process (Figure 7.5-1). Values-based improvement initiatives such as work/life balance and strategic line-of-sight are shared during our annual Values Conference (1.1b-1). Annual Baldrige assessment preparation highlights improvement activity to cross-functional teams and is shared enterprise-wide. In addition, top improvements, innovations, and individual/team process contributors are recognized and rewarded at the annual Premier Awards banquet (1.1a-1), and further spotlighted in employee communications. Figure 6.1-2 shows recent process improvement teams. Figure P.2-1 shows Improvements to our value creation process management methods.

Figure - 6.1-2 Sample Listing of Effective Process Improvement Teams	
Year	Process Improvement Teams
2003	• Corporate Work/Life Balance Team • Clinical Advisor Improvement Team • Strategy Deployment Line-of-Sight Team
2004	• Hospital Quality Incentive Demonstration Project Launch Team • Third Annual Supply Chain Collaborative Breakthrough Series Team
2005	• Spine and CVOR Toolkit Team • VMWare Implementation Team • SCA Member Deployment Team • Bon Secours Pharmacy Team

6.2 - Support Processes and Operational Planning

6.2 a(1) Key support processes are determined as those which: 1) help Premier achieve its BHAG, and 2) directly support Premier's key value creation processes in the delivery of products and services. During the risk assessment and internal audit process, SPP budget allocations and monthly forecasting, BU leaders identify support and resources necessary to help deliver value creation processes. In the second half of the annual SPP, key support processes are refined as BU leaders meet with representatives from each SU to identify needed requirements and resources. Listed in Figure 6.2-1 are Premier's key support processes. The functional SUs within Premier own these key support processes.

Related sub-processes to support main value-creation processes are determined based on regulatory agency standards, committees, and customer feedback. For example, many IT sub-processes are developed and monitored for delivering consistent software and hardware control and customer access efficiency and meeting security and confidentiality regulations (i.e., HIPAA). IT engages internal customers annually through surveys to provide IT processes and sub-processes design feedback.

6.2 a(2) Premier's risk assessment and internal audit, SPP, budgetary and forecasting processes have been enhanced to facilitate the collection and integration of requirements and expectations from both internal and external customers and other key constituents. Sources include industry regulatory agencies, finance and audit committees, and annual customer and supplier surveys. Three support units (HR, Finance, IT) use internal satisfaction surveys from which possible improvement opportunities are identified. Field staff and CSC

information also provide customer and supplier input regarding data accessibility, IT systems operability and other support processes performance. This data and information is analyzed during the SPP and used to identify and incorporate customer, supplier, and employee expectations into support process requirements. Key requirements for support processes are identified in Figure 6.2-1.

6.2 a(3) Premier uses the PMIS to design support processes to meet key requirements. Following the same steps as in value creation processes development, the functional support areas identify and analyze service requirements; document and map process steps; and determine performance goals, measures and indicators. Based on performance metric reviews, audit findings, and ORs, these support areas research, identify, and evaluate best practices regarding new technology, innovative process management methods (i.e., cycle time, cost controls, security measures), and conduct cost/benefit and risk analysis. Prior to implementation, functional support areas use focus groups to validate any process design changes and ensure that training and educational information meet customer needs. Appropriate training and documentation is provided for all users prior to implementing changes or full-scale new process deployment. Our continuous BI market and competitive assessment analysis is a recent example of a new support process (re)design and implementation based on business needs and requirements.

6.2 a(4) The performance measures used to monitor effectiveness, efficiency and improvement opportunities for each key support process are identified in Figure 6.2-1. Specific daily in-process measures are visible to process users to help ensure that cycle time and effectiveness requirements are being met. Within each support area, a designated manager is responsible for tracking and monitoring daily, weekly, and monthly in-process measures, depending on the data cycle time, to ensure they are meeting requirements. When metrics are not meeting specifications, corrective action is taken which may require minor management intervention or a full process improvement team utilizing the PMIS Step 5 (4.1b-1). Selected key process measures are incorporated into the monthly ORs and SU Leadership Team meetings to ensure that each support processes is contributing to the BU's success. Each support process posts their respective in-process measures as well as numerous outcome measures and monthly dashboard for all employees to view. In addition, each support process functional area has a management liaison to each of the three BUs to ensure that daily support operations are meeting BU expectations and needs. Through regularly scheduled customer and supplier meetings, as well as BoD meetings, key measures (especially in finance, ethics and legal) are shared and additional inputs regarding process performance are gathered. These additional inputs help identify and contribute to process improvement initiatives.

6.2 a(5) Similar to our key value creation processes, testing, audit, defects and inspection costs are minimized through use of multiple prevention-based methods embedded in each key support process. These methods include use of standardized operating procedures; Web-based tools; training manuals and documentation; quality assurance checklists; and multiple levels of automated IT system business rules and filters embedded in software programs supporting HR and Finance.

6.2 a(6) Support process areas use inputs from risk assessment, internal audit findings, customers, suppliers and other key stakeholders received through various surveys and needs assessments to improve support processes and reduce process variability. Internal audits and

Figure - 6.2-1 Key Support Processes		
Support Process	*Selected Key Requirements*	*Selected Key Measures-Others available on Site*
Finance (includes Budget and Forecasting Processes)	• Timeliness and efficiency	• Unallocated cash receipts balance (7.5) (EP) • % unallocated receipts under 30 days (7.5) (IP) • Administrative fee AR days outstanding (7.5) (IP) • Non-administrative fee AR days outstanding (AS) • Forecast variance to budget (7.5) (IP)
Marketing & Communication	• Access and availability to information • Awareness/visibility	• Collaborative learning events (AS) (EP) • Perception awareness (7.1) (EP)
Ethics and Compliance	• Complete compliance/ disclosure • Employee education	• GPO HIGPA Code of Conduct % compliant (7.6) (EP) • Compliance to HIPAA regulations (7.6) (EP) • % Contracted Suppliers provided Business Guidelines (EP) • % of employees signed COI (7.6) (EP) • % employees trained (7.6) (IP)
Information Technology	• Security and confidentiality • Data quality, availability and integrity • User friendliness	• Server Patches (7.5) (IP) • IT customer experience Index (7.5) (IP) • E-sourcing KPI product availability and performance (7.1) (IP) • Informatics KPI product availability and performance (ASV) (IP) • User satisfaction results (ASV) (EP)
Human Resources and Workplace Resources	• Effective employee recruitment and retention • Education and professional development • Cost containment • Satisfaction	• Staffing days to fill (7.5) (IP) • Total separation rate (7.4) (EP) • Training hours per employee (7.4) (IP/EP) • Training dollars per employee (7.4) (IP/EP) • Average airline travel cost per mile (7.5) (EP) • Total health plan annual costs (7.5) (EP) • Employee Satisfaction with HR (ASV) (IP)
Process Management	• Training • Effectiveness	• Internal Audit (7.6) (IP/EP) (AS) • % staff trained on PMIS (AS) (IP/EP) • ROI on lean six sigma projects (AS) (IP/EP) • % of key processes fully documented (AS) (IP)
Business Intelligence	• Timely and effective communication • Market competitiveness	• User satisfaction and usefulness (ASV) (IP)
Key= Available on Site Visit (AS); In-Process Measures (IP): End Process Measures (EP)		

process improvement teams identify gaps and opportunities. During ORs and other BU leadership meetings, process gaps and opportunities are prioritized. The support areas, through process improvement teams, engage in PDCA cycles, to reduce these gaps and capitalize on identified opportunities. These teams use PDCA methodologies and tools (e.g., control charts, Six Sigma, Pareto, brainstorming) as part of their continuous improvement process. These teams (such as the CLC), are empowered to improve process performance deficiencies. SUs also participate in monthly ORs and SPP. Considering the SUs current performance and Premier's strategic direction, the SU's effectiveness in keeping current with business needs and opportunities is evaluated. Also, during the strategic development and deployment cycle, best practices are sought and implemented for each support process.

Similar to the knowledge sharing that surrounds improvements to our key value creation processes, improvements to support processes are shared across the organization through SU liaisons, employee communications, and additional or updated training. Improvements that affect other external customers and key stakeholders are shared through written communication or in-person meetings. Improvements to our support process management methods are shown in Figure P.2-1.

6.2 b(1) As discussed in 2.2a-1, financial resources to support Premier's operations, goals and objectives are determined and allocated through the SPP and our annual and monthly forecasting process. Monthly, our budgeted one year and three-year rolling forecasts are updated to reflect any anticipated or unanticipated changes in customer and market conditions. In addition, an annual "strategic fund" is created for Corporate Initiatives identified and special projects that that may arise. When setting Corporate Annual Goals, organizational interdependencies are identified and assessed for risk and impact to operations and finances. During annual BLRs, initial budget and financial requirements for key value creation processes and new business investments and/or strategies are defined. In addition, the Corporate Development team performs a SWOT analysis on new business opportunities, which is then evaluated by the E-Team for organizational readiness. Outputs of these two processes are shared with the SUs and support processes. Owners then develop plans and budgets to meet process delivery expectations. SU Leaders meet with each other and BU leaders in a reconciliation meeting to ensure understanding, alignment, and adequate financial resource allocation to meet process delivery and strategic objective expectations. During these meetings, major financial risks and key process structures are highlighted; resources and strategies to address or minimize them are

identified. Once final budgets are determined, the E-Team reviews them and seeks final BoD approval.

6.2 b(2) The BC plan, as described in 5.3a(2), describes the framework for ensuring continuation of key operations, IT systems and support processes in the event of an emergency or disaster. This plan, administered by the BC/DR manager, ensures IT and communications systems are backed up and available. It also ensures that employees are safe during and after an emergency and understand the procedures for returning to work and reviving operating systems, processes and procedures in an organized and effective fashion.

The outputs of these two processes are shared with the SUs and support processes owners, who then develop their plans and budgets to meet process delivery expectations. SU Leaders meet with each other and BU leaders in a reconciliation meeting to ensure understanding, alignment, and adequate financial resource allocation to meet process delivery and strategic objective expectations. During these meetings, major financial risks and key process structures are highlighted; and resources and strategies to address or minimize them are identified. Once final budgets are determined, the E-Team reviews them and seeks final BoD approval.

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7 Business Results

Note- Some actual results detail has been blinded given its confidential nature.

During the first ten years following the merger that formed Premier, our organization has grown dramatically in financial terms and in its journey toward our BHAG of becoming a major influence within healthcare. The journey to excellence is demonstrated by increased purchasing volume (grown from $6 billion at the end of the first calendar year in 1996 to $25 billion in Fiscal Year 2005), outstanding growth in customer validated savings (well over $1 billion, ranking largest of all healthcare group purchasing organizations), remarkable financial performance and strong customer and employee satisfaction. Premier's overall performance meets or surpasses comparisons in most key measures as shown by results in Category 7. Comparisons reflect the latest available data.

Our goal-setting balances the needs of all stakeholders by relating strategies/goals to Core Roles, with each Core Role correlating with result requirements in the Baldrige criteria as listed below.

The alignment and power of our Core Roles and our Core Values demonstrate our ability to improve the health of communities.

7.1 - Product and Service Outcomes

7.1 a Product and Service Results

As a healthcare strategic alliance, we partner with our customers to accelerate their clinical quality and financial performance. Together, our Members' efforts are helping create "a rising tide of improvement," and

we are demonstrating the powerful improvement combination of commitment, focus, and knowledge –in our group purchasing and supply chain management activities (PP), through our insurance programs and risk management (PIMS), in our benchmarking and application of performance enhancement tools (HI), and in our project with Medicare (HQID).

Core Role and Baldrige Results Correlation	
Core Roles	*Baldrige Criteria Item Correlation*
Create Value for Owners	Product and Service Outcomes (7.1) Customer Focused Results (7.2)
Improve Quality	Product and Service Outcomes (7.1) Customer Focused Results (7.2)
Facilitate Knowledge Transfer	Product and Service Outcomes (7.1) Organizational Effectiveness (7.5)
Organizational Health	Organizational Effectiveness results (7.5) Human Resources Results (7.4, 7.5)
Grow the Enterprise	Product and Service Outcomes (7.1)
Financial Health	Financial Market Results (7.3)
*Governance and Social Responsibility Results (7.6) are embedded across all of our Core Roles	

To ensure that we are focused on generating value for customers, we set incentive goals based on savings from our services they formally validate. Academic researchers calculate that GPOs in general save their members 8-10 percent on the price of supplies -- which amounts to some $2 billion in savings for our Members each year. Unfortunately, it is difficult to document those savings in part because "list price" is a fluid concept in healthcare. Consequently, we measure customer-validated savings and other forms of value above and beyond the baseline savings generated by our group contracts. Figure 7.1-1 illustrates the positive trends in total value, as validated by our customers through savings from supply chain, performance engineering programs, advisory services engagements, CMS demonstration quality scores and payments (HQID), quality improvements through use of HI comparative data systems (Operations Advisor and Clinical Advisor), and cash distributions.

Figure 7.1-1 Total Customer Validated Savings and Cash Returns
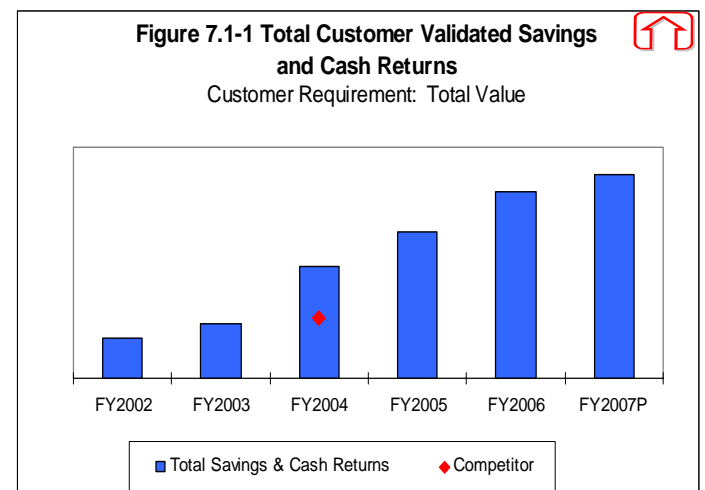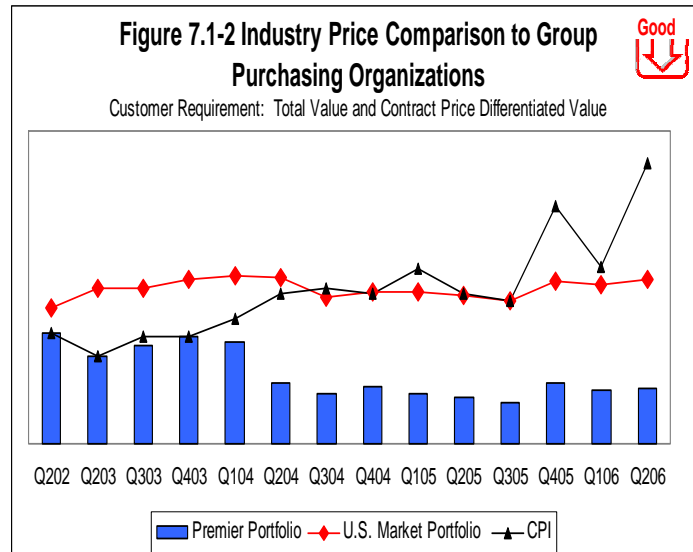Customer Requirement: Total Value

Figure 7.1-2 demonstrates our overall group purchasing contract portfolio, showing a significant price advantage as compared to competitor pricing. This positive trend compares favorably to the relative index of our top GPS competitors. Certain product categories
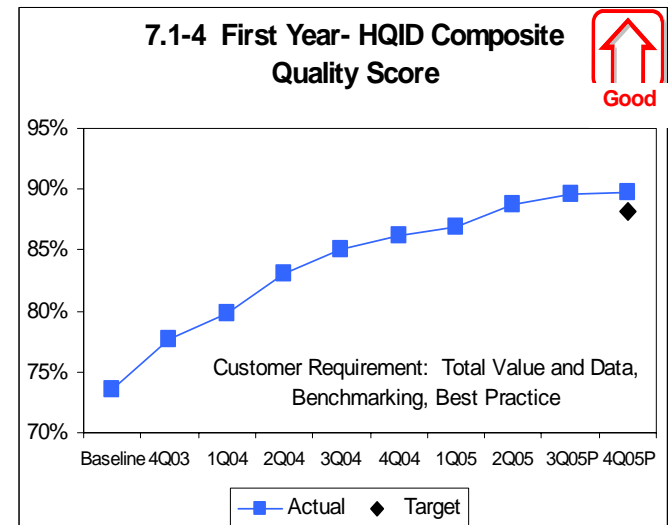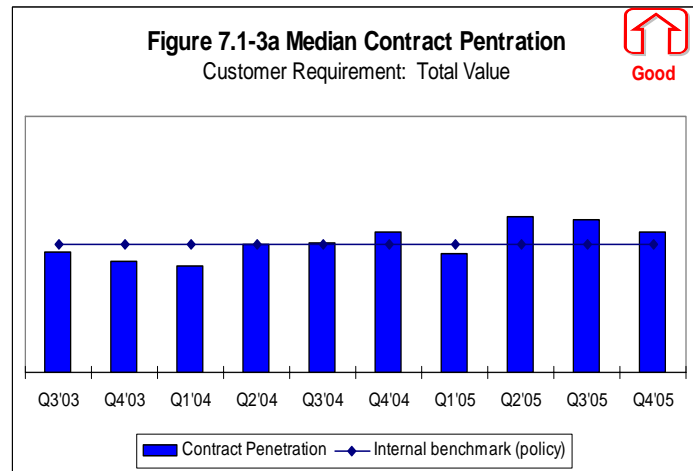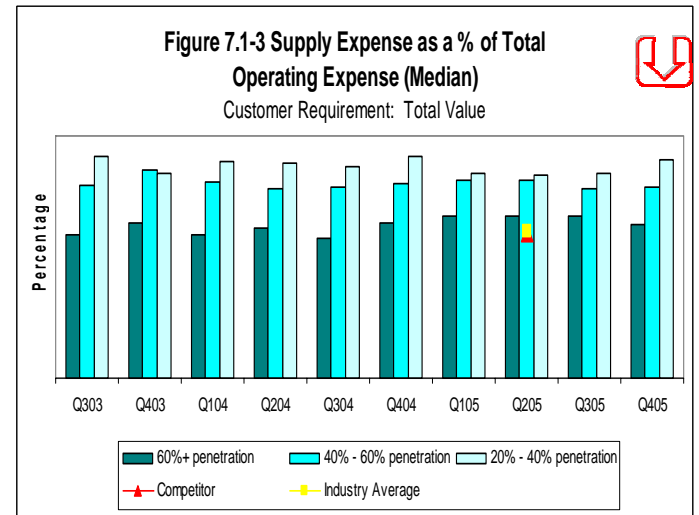
demonstrate even greater pricing advantages when compared to competitors.

Figure 7.1-2 Industry Price Comparison to Group Purchasing Organizations

Customer Requirement: Total Value and Contract Price Differentiated Value

Good

Legend: Premier Portfolio — U.S. Market Portfolio — CPI

X-axis: Q202 Q203 Q303 Q403 Q104 Q204 Q304 Q404 Q105 Q205 Q305 Q405 Q106 Q206

Figures 7.1-3 and 7.1-3a illustrates favorable trends in supply costs as compared to our competitors. Analysis of data from the Association of Healthcare Resource and Materials Management and the financial reports of publicly traded healthcare companies reveal that Premier Members have achieved a significant supply cost advantage. This is attributable in part to improved contract utilization – our purchasing volume has increased significantly during a four-year period when membership remained relatively stable. But it is due also to a significant price advantage we have created for our members over the past few years.

Figure 7.1-3a Median Contract Pentration

Customer Requirement: Total Value

Good

Legend: Contract Penetration — Internal benchmark (policy)

X-axis: Q3'03 Q4'03 Q1'04 Q2'04 Q3'04 Q4'04 Q1'05 Q2'05 Q3'05 Q4'05

To make a significant impact for our customers and on healthcare as a whole, Premier proposed and now manages a national demonstration project with the CMS that rewards hospitals for high quality care. The HQID Project involves more than 260 hospitals that report data through Premier's Perspective™ clinical comparative database to CMS. Top-performing hospitals receive incentive payments from Medicare. Figure 7.1-4 illustrates positive trends in the median composite quality score that is derived from the HQID project. CMS issued more than $8 million in incentive payments for the first year of the project and quality went up across the board at participating hospitals. The project involves process and outcome measures for five clinical focus areas – heart attack (AMI),

congestive heart failure, coronary artery bypass graft (CABG), hip and knee surgery, and pneumonia.

Quality improvement among participants in the HQID has been so dramatic that participating hospitals are performing far above national levels on key measures of quality as demonstrated in Figures 7.1-5 through 7.1-7.7. Using 17 nationally collected quality measures it is possible to compare the performance of project participants to the performance of all hospitals in the nation. The mean quality score of hospitals in the project is more than 8 points higher than the national mean on a 100-point scale. The same analysis reveals that Clinical Advisor customers and Premier member hospitals also have higher quality – an example of the "rising tide." Given the HQID is in an early stage, there is no further trend data to share.

Figure 7.1-3 Supply Expense as a % of Total Operating Expense (Median)

Customer Requirement: Total Value

Y-axis: Percentage

X-axis: Q303 Q403 Q104 Q204 Q304 Q404 Q105 Q205 Q305 Q405

Legend: 60%+ penetration — 40% - 60% penetration — 20% - 40% penetration — Competitor — Industry Average

7.1-4 First Year- HQID Composite Quality Score

Good

Customer Requirement: Total Value and Data, Benchmarking, Best Practice

Y-axis: 70% 75% 80% 85% 90% 95%

X-axis: Baseline 4Q03 1Q04 2Q04 3Q04 4Q04 1Q05 2Q05 3Q05P 4Q05P

Legend: Actual — Target

Healthcare Informatics measures the value provided to our customers through the Performance Engineering program by measuring ROI (actual savings compared to the fees paid). Figure 7.1-8 illustrates a continuing positive trend for ROI with the last three years of dramatic improvement directly relating to the size and scope of labor reduction projects. These projects result in more efficient processes, allowing our customers to operate at a lower cost. The spike in FY04 is due to 4 programs that had major one time labor reduction projects.

Figure 7.1-5 HQID Premier Engagements Compared to National Group (From Q2-04 to Q3-05)

Categories: HQID Participant, Not in HQID, Clinical Advisor Client, Non-Client, Premier Owner, Non-Premier, Premier Member, Non-Premier

Figure 7.1-8 Informatics: Performance Engineering ROI (Calculated: Client Savings/Premier Billings = ROI)

Customer Requirement: Total Value/Savings and Return on Investment

Years: FY2002, FY2003, FY2004, FY2005, FY2006

Legend: ROI, Target

Figure 7.1-6 Hospital Cost on CABG by Patient Process Measure(PPM)

Customer Requirement: Total Value and Data, Benchmarking, Best Practice

Categories: PPM 0-49%, PPM 50-74%, PPM 75-100%

In addition, Premier's Safety Institute is a leading source of information and advocacy on healthcare, providing resources, analysis and leadership on patient, worker, environmental, and product safety to all of healthcare. Premier launched its Safety Web site and newsletter for the "community" because there was nothing comparable in the industry. Figure 7.1-9 indicates a favorable trend on the number of Safety Institute Web site visits annually. The Safety institute partnered with AHRQ in the release of a Patient Safety Culture Survey downloaded on Premier's website 21,000 times. Fifty bylined articles from Safety Institute have been published to date in medical/hospital literature. Traffic on the Safety Institute website grew to over 3.4 million hits annually. Premier also provides an electronic newsletter called Safety Share, provided free to both members and the general safety community, with over 388,000 subscribers. The Safety Institute has led Premier to a third consecutive year as a winner for a Healthy Environment Champions for Change award in environmental leadership. Additional newsletters are published regularly.

Figure 7.1-7 CABG Mortality Rates by Patient Process Measure(PPM) and Patient Safety Indicator(PSI) Occurrence (HQID)

Customer Requirement: Total Value and Data, Benchmarking, Best Practice

Categories: PPM 0-49%, PPM 50-74%, PPM 75-100%, All CABG Mortality Rate

Legend: Died - One or More PSI events, Died - No PSI, Mortality Rate - Overall

Figure 7.1-9 Web Visits to Premier's Safety Site

Customer Requirement: Total Value/Data, Benchmarking and Best Practice

Y-axis: 200,000; 250,000; 300,000; 350,000; 400,000; 450,000; 500,000; 550,000; 600,000; 650,000

Years: FY2003, FY2004, FY2005, FY2006P

Legend: Premier, Competitor

To provide additional customer value, PIMS provides educational offerings to its members and surveys the participating members as to

the value and quality of the presentations. The programs are developed based on surveys of the membership as to the clinical and risk areas of interest to them that most impact their organizations. The board of directors of AEIX has established goals for PIMS, since 2003, to provide four offerings per year that meet evaluation ratings of "4" or more. As shown in Figure 7.1-10 PIMS has consistently met or exceeded the annual targets in this program.

Figure 7.1-10 PIMS: Percentage of Educational Conference Attendees with High Satisfaction
Customer Requirement: Educational Programs

Good
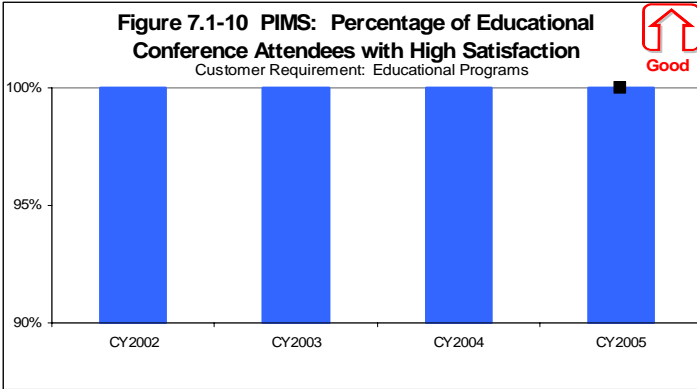
Figure 7.1-11 represents the year over year increase in the number of contracts available in our Group Purchasing portfolio, creating a more robust and comprehensive portfolio for our customers.

Figure 7.1-11 Number of Contracts in Group Purchasing Portfolio
Customer Requirement: Comprehensive and Complete Portfolio

Good

■ Premier ■ Competitor
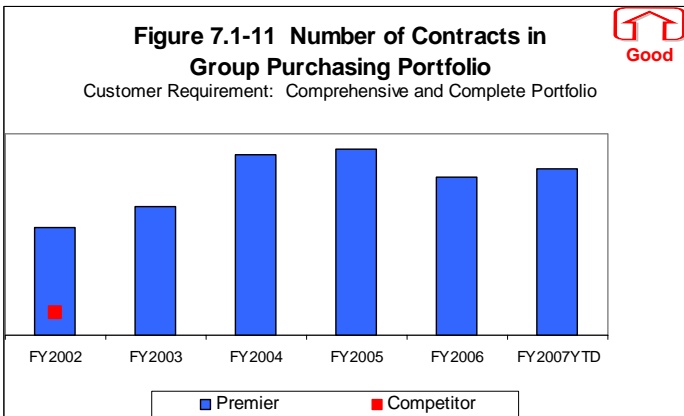
Figures 7.1-12 and 7.1-13 illustrate positive trends in the utilization and cycle time of Supply Chain Advisor. In 2003, Premier introduced a new online tool, "Supply Chain Advisor," (SCA) which included many enhancements over its predecessor "WebCat." Initially, the focus was on promoting Catalog adoption to help our members find contract information. In 2004, Premier rolled out a new online contract module (Price Activation) that allowed members and suppliers to electronically agree on contract terms. Throughout 2004 and 2005, Premier has aggressively trained (i.e., "boarded") members and suppliers to use this technology. As we continue to board suppliers on SCA, the cycle time for pricing activation has decreased significantly from our baseline of 100 days to less than 30 days. The focus for FY06 is boarding suppliers. The target is to board 92 additional suppliers, 15 of these high volume suppliers. At this time, we are projecting to board more than target based on the number of suppliers currently in the pipeline.

Figure 7.1-12 Members and Suppliers Utilizing Supply Chain Advisor

Good

Customer Requirement: Leading Edge Technology and Products
Contract Price - Differentiated Value

■ Members - catalog ■ Members - SCA/PA ■ Suppliers ■ Supplier Target

Figure 7.1-13 Supplier Price Activation
Average Cycle Time in Days
Customer Requirement: Leading Edge Technology and Products Contract Price - Differentiated Value

Good

◆ Actual ■ FY2006 Target

The Supplier Quality Program was established to benefit our suppliers, our members, and Premier by aligning our goals with that of the supplier. The supplier scorecard is the second part of the Supplier Quality Program which now includes the supplier quality review, supplier performance scorecard and supplier quality performance awards. Figure 7.1-14 illustrates a positive 71% growth rate of the number of contract suppliers who have qualified documentation from 2003 to 2005 with projected increases in 2006 to help drive us to our goal of working with 100 percent qualified contract suppliers.

PIMS tracks how its management of AEIX performs in providing its customers a financially stable loss pool. We benchmark to the NAIC, measuring the minimum amount of capital that an insurance company needs to support its overall business operations and is used to set capital requirements considering the size and degree of risk taken by the insurer. This takes into consideration asset risk, credit risk, underwriting risk and off-balance sheet risk. As illustrated in Figure 7.1-15, PIMS' management of the AEIX Risk pool has consistently performed above the required levels and has, over the past 3 years far exceeded the statutory requirements, thus ensuring that the members of

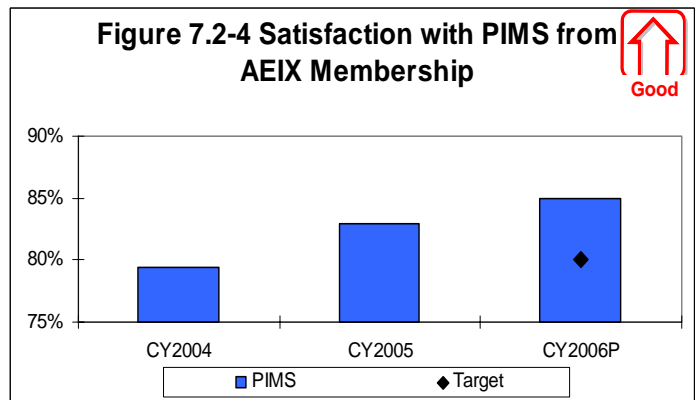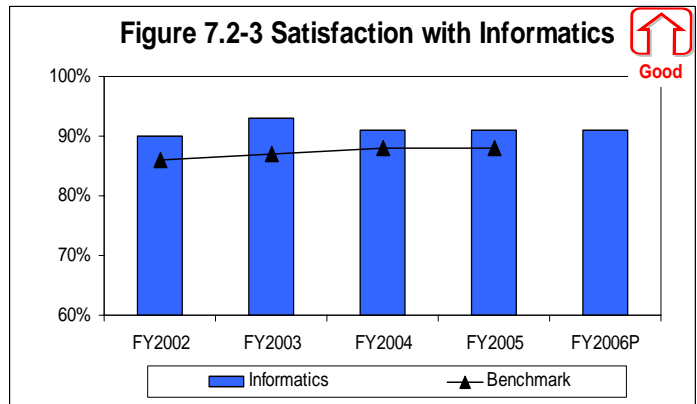AEIX will have more than sufficient capital to cover any current or incurred but not reported losses.

Figure 7.1-14 Qualified Contract Suppliers
Customer Requirement: High Quality Suppliers

Good

Figure 7.1-15 AEIX Surplus Adequacy
Customer Requirement: Loss Mitigation

Good
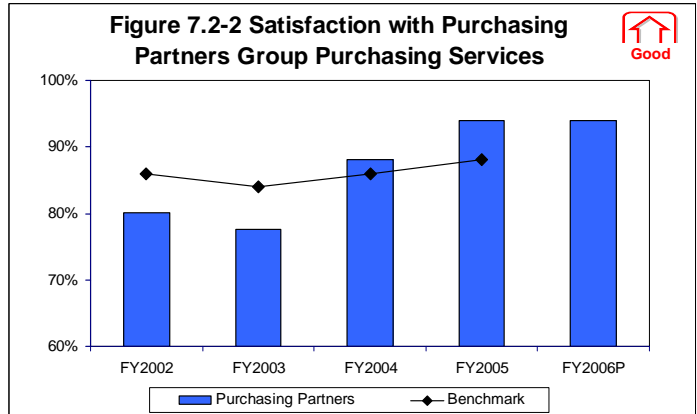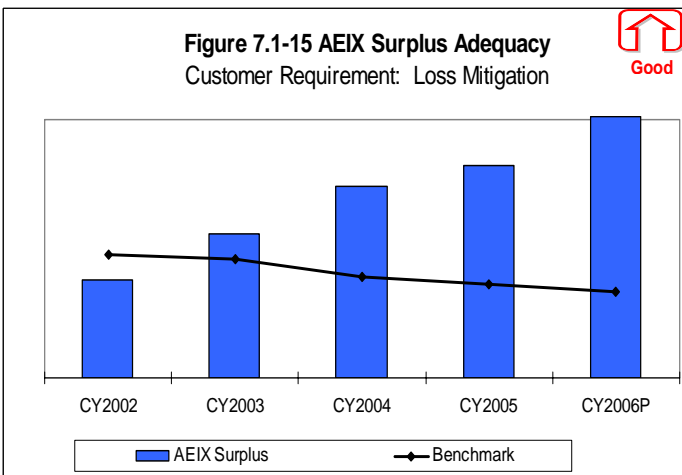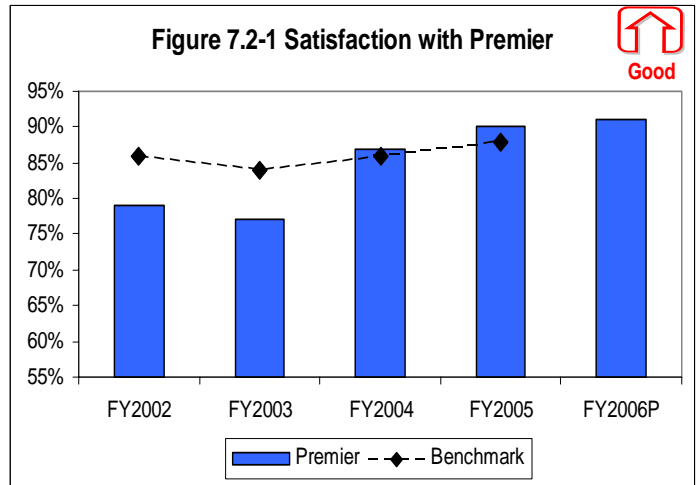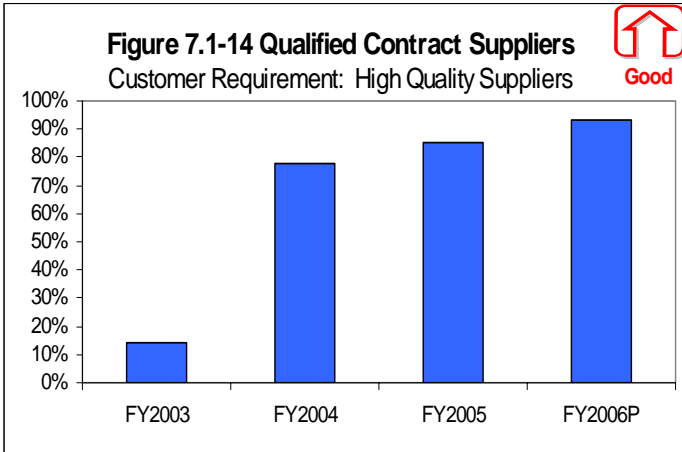
7.2 - Customer-Focused Results

7.2 a Customer-Focused Results

7.2 a(1) Premier uses an annual survey to monitor the satisfaction levels of Owners and stakeholders, and to isolate drivers of changes in satisfaction. Because Owner CEOs are primary decision makers regarding the GPO relationship, CEO satisfaction with Premier, Inc. is a key indicator of customer satisfaction. Figure 7.2-1 illustrates the improvement gains in our overall customer satisfaction. Figures 7.2-2 through 7.2-4 show positive trends in customer satisfaction segmented by business units. Continued customer intimacy, sourcing process improvements and increased supply chain value have contributed to the improvement in customer satisfaction.

Satisfaction with Informatics has remained at a very high level (over 90% satisfaction) since 2002. Informatics conducts periodic focus groups and maintains list-serves for product users to share ideas for ways to better utilize and improve the products. The product management process ensures continuous improvement in a systematic way of the features and services of each offering within Premier.

Figure 7.2-1 Satisfaction with Premier

Good

Figure 7.2-2 Satisfaction with Purchasing Partners Group Purchasing Services

Good

Figure 7.2-3 Satisfaction with Informatics

Good

Figure 7.2-4 Satisfaction with PIMS from AEIX Membership

Good

PIMS annually surveys its membership to gauge satisfaction with PIMS performance in management of the AEIX alternative risk financing pool. This is a key result for PIMS with performance benchmark targets set by the AEIX board of directors. We also feel this metric is a leading indicator as to customer satisfaction, loyalty, and retention. Figure 7.2-4 shows annual improvement in customer satisfaction. Accordingly, the goal was increased in 2005 five percentage points by the board and we have surpassed that target.

7.2 a(2) The GPO industry is relationship-based, therefore CEO Satisfaction is considered in conjunction with a loyalty indicator (likelihood to continue the relationship with Premier) also tested in Premier's annual satisfaction survey. As can be seen comparing Figures 7.2-1 and 7.2-8, Premier has been successful in utilizing the annual satisfaction survey process to address the concerns of Owners, resulting in high and relatively steady loyalty indicators. Additionally, loyalty indicators have been determined and validated with our customers and are translated into measurable indicators through our SCIP and QIP plans and our customer validated savings. Figures 7.2-5 and 7.2-8 show consistent increase in customer loyalty. Figure 7.2-6 illustrates the continued increase in PP customer retention, which correlates with the improved trends shown in overall customer loyalty scores in Figure 7.2-5. The high rate of customer retention, satisfaction and loyalty demonstrate the effectiveness of our focused customer attention and our sustained increases in customer validated savings (Figure 7.1-1).

Figure 7.2-5 Premier Loyalty (Based on Customer Surveys)

Figure 7.2-6 Purchasing Partners Loyalty (Based on Customer Surveys)

The renewal rate for Premier's comparative data products is also considered to reflect customer perceived loyalty. Figure 7.2-7 illustrates

customer renewal rates with rates exceeding 90% benchmark during our first quarter of 2006.

Figure 7.2-7 Informatics Loyalty/Retention (Based on Subscription Renewals)
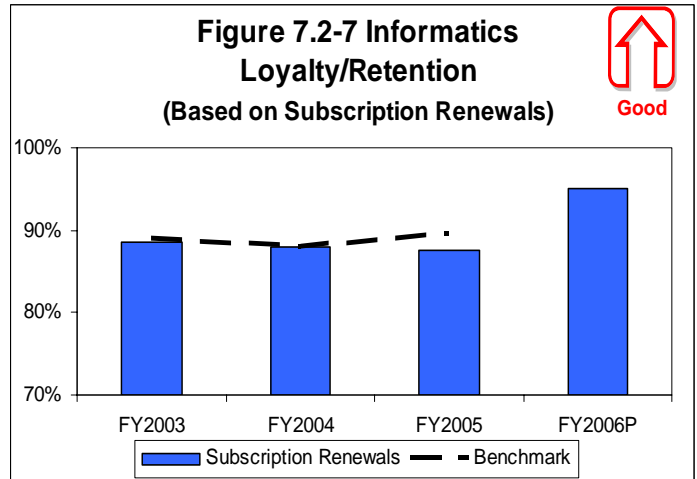
The percent of clients willing to recommend Healthcare Informatics (HI) products illustrates the strength of the HI customer relationship and the recognition of the value of HI offerings. While the scores remain high, the slight dip in FY05 is directly related to our Clinical Advisor Quality Measures reporting process. Based on feedback from our customers, we developed new reports (real time and physician level) to provide more timely and detailed information. These improvements enhanced the ability of HI's customers to improve their internal processes.

PIMS tracks the renewals of AEIX members from year to year which we feel is reflective of customer loyalty and the value our members ascribe to our product and servicing. Over the past three annual policy renewal cycles, our retention rate has improved by thirteen percentage points, placing us well above the overall industry average for policyholder renewal and retention, as illustrated in Figure 7.2-8.
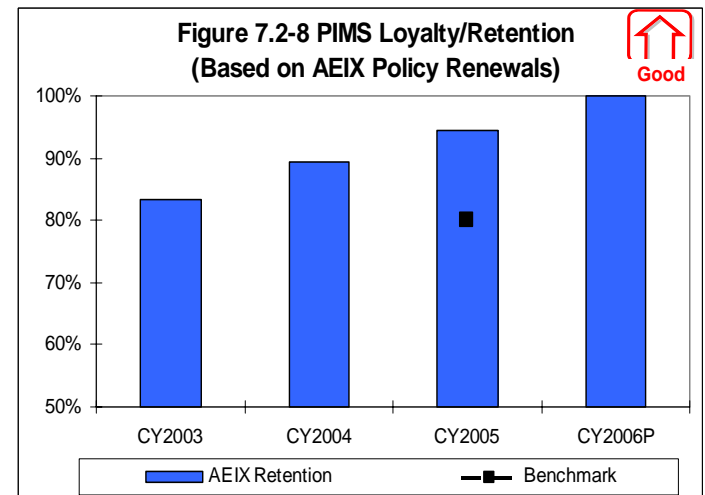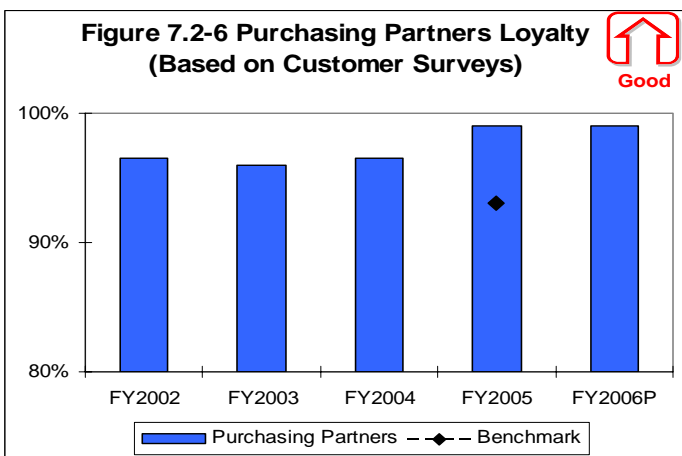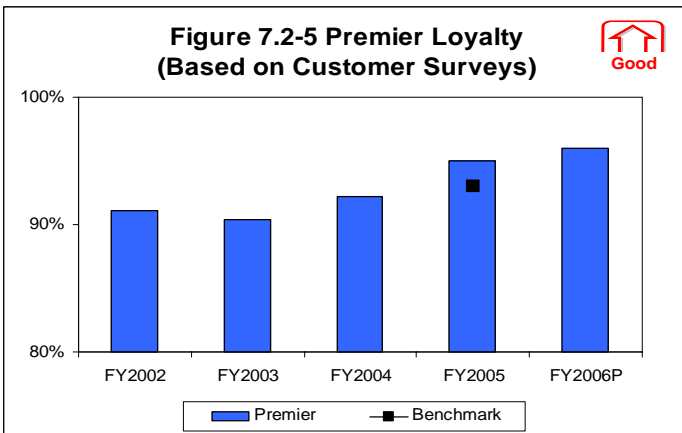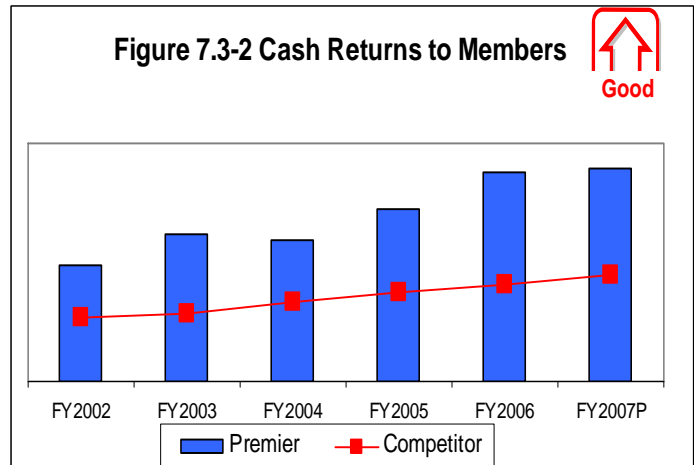

Figure 7.2-8 PIMS Loyalty/Retention (Based on AEIX Policy Renewals)

7.3 - Financial and Market Results

Premier GPO and Healthcare Informatics remain leaders in their respective markets. The 2005 market place comparisons shown below help to set the stage for item 7.3 results.
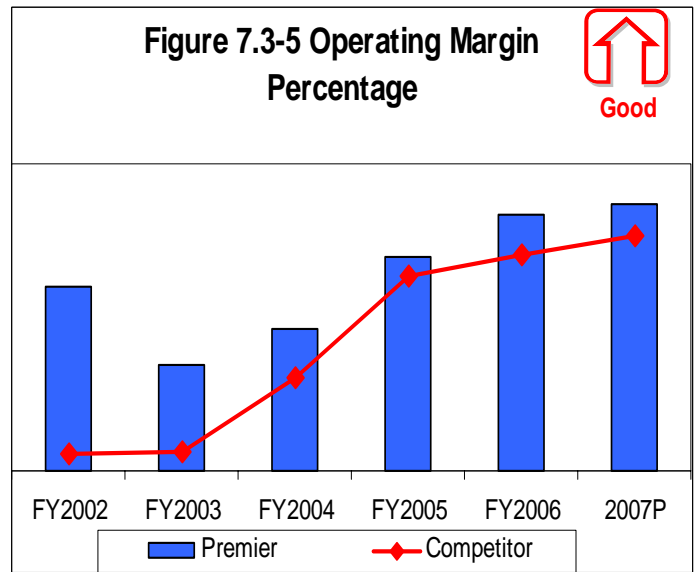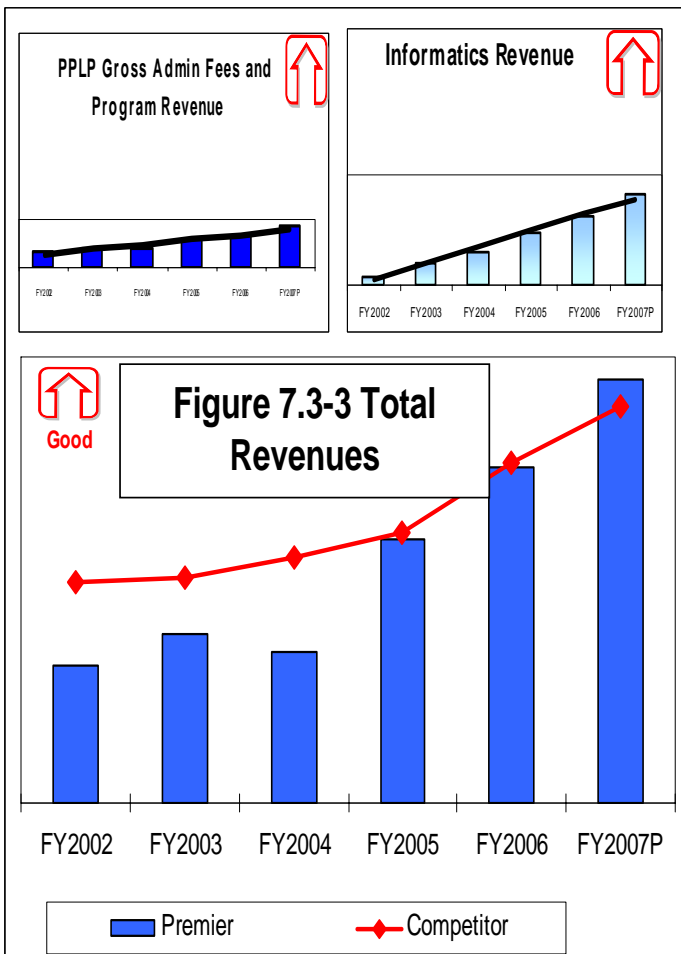
Figure 7.3(a) GPO Purchasing Volume

2004   2005   2006P

□ Premier Purchasing Partners   ■ Competitor 1   □ Competitor 2
□ Competitor 3   ■ Competitor 4   ■ Competitor 5
■ Competitor 6   □ Competitor 7

Figure 7.3(b) HI Marketshare in Clinical/Financial Database 2005

# of Clients

■ Premier   ■ Competitor 1   □ Competitor 2

Figure 7.3-1 Cash Returns as a Percentage of Admin Fees

Good

2002   2003   2004   2005   2006   2007P

■ Premier   ◆ Competitor

7.3 a(1) Premier monitors a comprehensive set of internal and external measures to evaluate its financial performance. Internal measures typically reflect efficiency in managing operations and external measures reflect the financial return and economic value that Premier provides to its stakeholders. Results presented here reflect both perspectives.

One of the many benefits of being an alliance member is the distribution of administrative fees to Owners based on their purchases. This measure is considered to be a significant indicator of financial efficiency and a key measure for Premier in managing its performance expectations. Figure 7.3-1 illustrates the positive trending of Premier's annual cash distributions as compared to our best competitor.

In addition to focusing on the efficiency of operations measured through the percentage of Owner administrative fees returned to members, Premier also focuses on the actual dollars distributed to its members. Figure 7.3-2 reflects growth in the amount of cash distributed each year.

Figure 7.3-2 Cash Returns to Members

Good

FY 2002   FY 2003   FY 2004   FY 2005   FY 2006   FY 2007P

■ Premier   ■ Competitor

Figure 7.3-3 demonstrates the positive trend in Premier's total revenue. Purchasing Partners' increased revenue reflects seven to eight percent annual growth in the past couple of years as a result of the addition of new members, deeper contract penetration within existing members, and the addition of new contracts to the purchasing portfolio. Revenue growth is anticipated to continue to increase over the next three years. Additionally, Informatics reflects significant year over year growth as a result of the addition of new customers, additional sales to existing customers, and the positive outcome of the CMS Demonstration project (HQID). It is important to note that the PIMS business was developed as an additional membership offering to provide a variety of competitive insurance solutions through AEIX and group-sponsored programs where members can take advantage of competitive products and pricing, along with the better terms and conditions negotiated by Premier. The PIMS business segment is not intended to have a significant impact on the company's revenue.
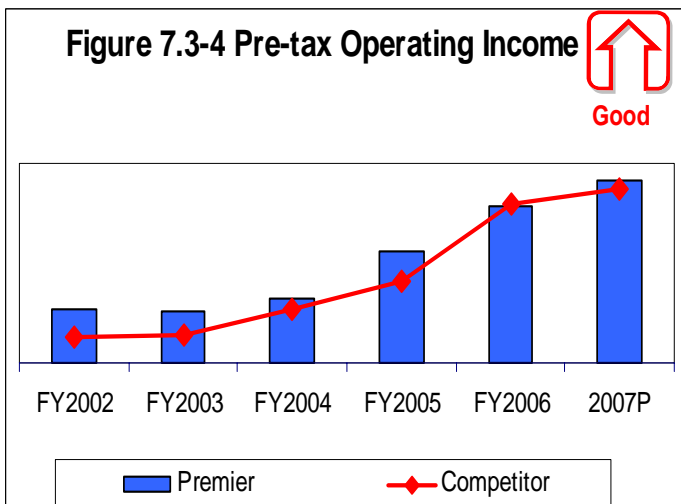
PPLP Gross Admin Fees and Program Revenue

FY2002 FY2003 FY2004 FY2005 FY2006 FY2007P

Informatics Revenue

FY2002 FY2003 FY2004 FY2005 FY2006 FY2007P

Figure 7.3-3 Total Revenues

Good

FY2002 FY2003 FY2004 FY2005 FY2006 FY2007P

Premier — Competitor

Premier's focus on revenue growth in core businesses combined with aggressive expense management has resulted in an operating income and margin increase over the five year trend and compares favorably with our competitor, as shown in Figures 7.3-4 and 7.3-5. While our competitor experienced a spike in FY2004, we understand this is attributable to a one-time event and we do not believe that growth rate will be sustainable.

Figure 7.3-4 Pre-tax Operating Income

Good

FY2002 FY2003 FY2004 FY2005 FY2006 2007P

Premier — Competitor

Figure 7.3-5 Operating Margin Percentage

Good

FY2002 FY2003 FY2004 FY2005 FY2006 2007P

Premier — Competitor

Premier aggressively manages expenses to maximize return to its shareholders. As indicated in Figure 7.3-6, Premier's current year expense level is at similar levels to that incurred five years ago while revenues have increased significantly. We attribute the sustained decrease in expense levels to our continued process improvement focus and associated work effectiveness gains across the organization.

Figure 7.3-6 Operating Expenses

Good

FY2002 FY2003 FY2004 FY2005 FY2006 2007P

Premier — Competitor
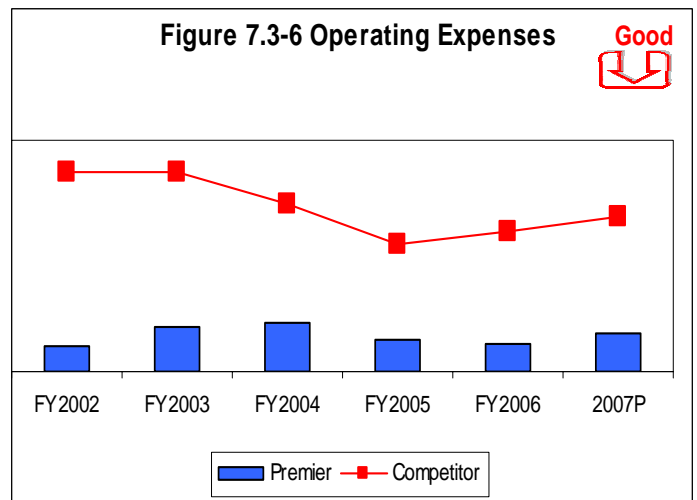
7.3 a(2) The group purchasing market is saturated with virtually all hospitals affiliated with a GPO. As a result, retention of existing customers is critical to maintain market share. Figure 7.3-7 indicates the percentage of hospitals retained outperforms industry average retention rates.

Figure 7.3-7 Hospital Based Retention

Good

Y-axis: Retention Rate
X-axis: FY2002, FY2003, FY2004, FY2005, FY2006
Legend: Retention, Industry Average

Figure 7.3-8 reflects Premier's group purchasing volume - the core measure of GPO success - as compared to its major competitor. Premier has effectively maintained its volume position, even while meeting competitive demands for increased operational efficiency and sales effectiveness.

Figure 7.3-8 Purchasing Partners: Market Share Based on GPO Purchasing Volume

Good

X-axis: CY2001, CY2002, CY2003, CY2004, CY2005, CY2006P
Legend: Premier, Competitor

Volume per member hospital reflects the extent to which member hospitals are willing to purchase products off of the GPO's portfolio, thereby enhancing the GPO's price leverage. As illustrated in Figure 7.3-9, Premier hospitals use agreements more effectively than do competitors' members, which has resulted in significant market basket advantages and, in turn, a heightened volume position.

Figure 7.3-9 Purchasing Partners: Total Volume per Hospital Member

Good

X-axis: CY2003, CY2004, CY2005, CY2006P
Legend: Premier, Competitor

Figure 7.3-10 reflects the PIMS AEIX combined ratio as compared to the medical malpractice industry. The AEIX ratio continued to decrease in 2005, outperforming the market benchmark over the past three years. We anticipate the AEIX combined ratio will continue to remain at or below 100%, thus remaining consistent with our philosophy and mission that our product is to be an efficient offering to Owners rather than being a traditional for-profit insurer.

Figure 7.3-10 PIMS: AEIX Combined Ratio Comparison to Medical Malpractice Industry

Good

X-axis: CY2002, CY2003, CY2004, CY2005, CY2006P
Legend: AEIX Combined Ratio, Industry Combined Ratio

PIMS tracks profitability of the AEIX program by measuring net income. Figure 7.3-11 shows positive trends over the last four years and is indicative of proper pricing of loss exposure and management of loss, which is a function of premium written and claims expense.

7.4 - Human Resource Results

7.4 a Human Resource Results

7.4 a(1) Success in organizational health is foundational in supporting our strategic plans as noted in Category 2.1. Over the last five years, we have increased our analysis of employee satisfaction and customer satisfaction and implemented improvements to positively impact both indicators. We believe that "our people make us Premier," and we strive

to understand and improve our workforce engagement and organizational health.

As demonstrated in Figure 7.4-1, Premier continues to improve its internal efficiencies resulting in higher income per employee over a five year trend, outperforming its major competitor. Process improvement gains and workforce alignment focus have contributed to our ability to increase our operating income while continuing to increase customer loyalty, retention, and satisfaction.
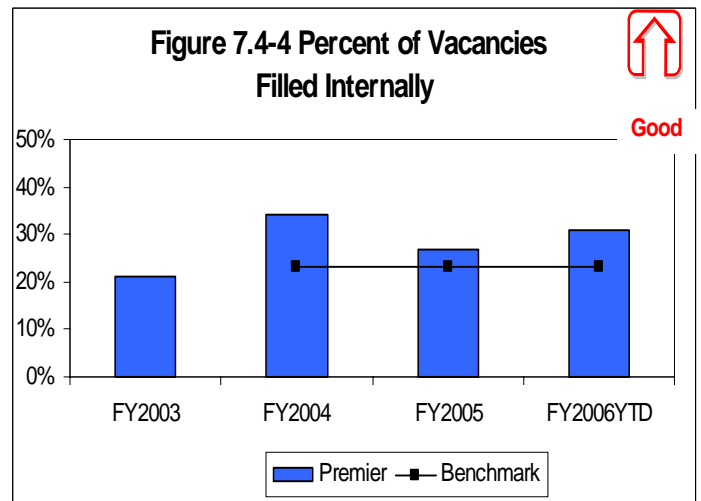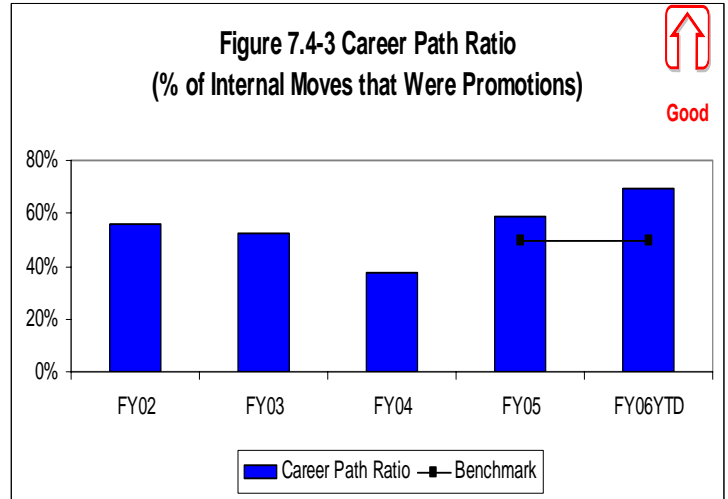
Figure 7.4-1 Operating Income Per Employee

Good
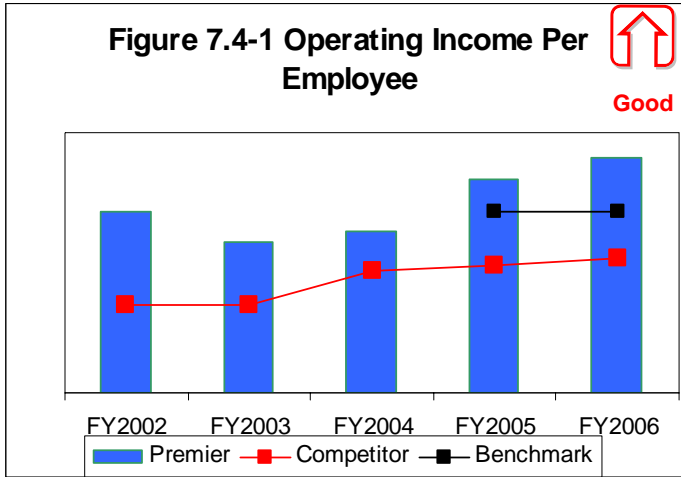
Providing an effective workplace environment for its employees is a high priority at Premier. Not only does this positively influence production levels, it helps engage and motivate employees. As shown in Figure 7.4-2, our survey results are very favorable compared to the national benchmark as employees report their satisfaction with job usefulness, team work, rewards and recognition, workplace pride and safety measures.

Figure 7.4-2 Workplace Effectiveness Factors: Percent Employee Satisfaction				
	2003	**2005**	**2006(p)**	**Current Benchmark**
Job Usefulness	76.3%	80.0%	82.8%	85.0%
Rewards and Recognition	53.3%	63.3%	67.5%	48.2%
Teamwork	71.5%	75.8%	81.4%	59.6%
Workplace Pride	66.2%	79.3%	83.5%	78.3%
Workplace Safety	91.1%	89.6%	Not addressed in 2006 Pulse Survey	72.0%

As a result of our focus on identifying and positioning high performing individuals at all levels across the organization, our emphasis on internal hiring and career development has encouraged positive trends over the last few years as illustrated in Figure 7.4-3.

As an outcome of our Workforce Engage (WE) we began a process improvement to encourage additional internal recruiting. We have seen measurable improvements in internal vacancies being filled as shown in Figure 7.4-4 with a very large increase in FY2004 due to our Chicago office consolidation and increased open positions during that period. We have consistently met the benchmark and Premier target since our increased focus.

Figure 7.4-3 Career Path Ratio (% of Internal Moves that Were Promotions)

Good

Figure 7.4-4 Percent of Vacancies Filled Internally

Good

7.4 a(2) Premier's new employee onboarding process is designed to provide effective training and processes to help enable new employees to function effectively soon following their start date. This process contributes to the development of employees who can quickly contribute to the organization's success. Figure 7.4-5 indicates effectiveness of our new employee on-boarding process measured following their first 30 days at Premier.

Figure 7.4-5 New Employee Onboarding Effectiveness
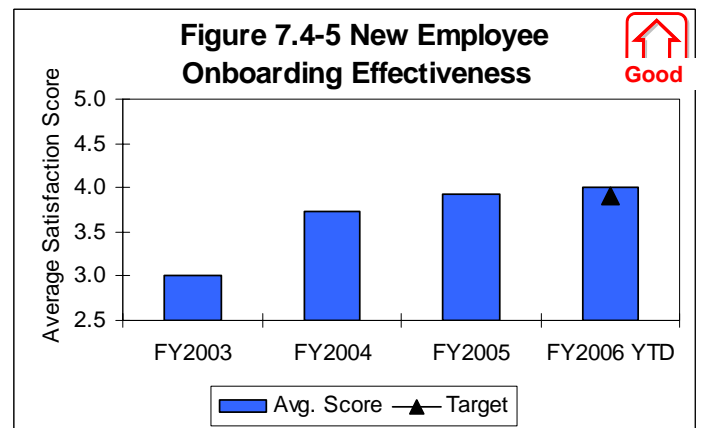
Good

Figure 7.4.6 shows continued growth in training hours per employee. Investment in training and development, as shown in Figure 7.4-7, has remained strong over the last four years, surpassing the benchmark. With the implementation of electronic learning and the increased usage of internal knowledge sharing through subject matter experts we have been able to decrease our overall training expense in 2005 and 2006 while increasing the training offerings and hours per employee. All of our training metrics are further segmented by units to better understand needs.

Figure 7.4-6 Training Hours per Employee

Good

Training Hrs. — Benchmark ▲ Target

Figure 7.4-7 Average Investment in Employee Development

Good

Average Investment in Employee Development — Benchmark
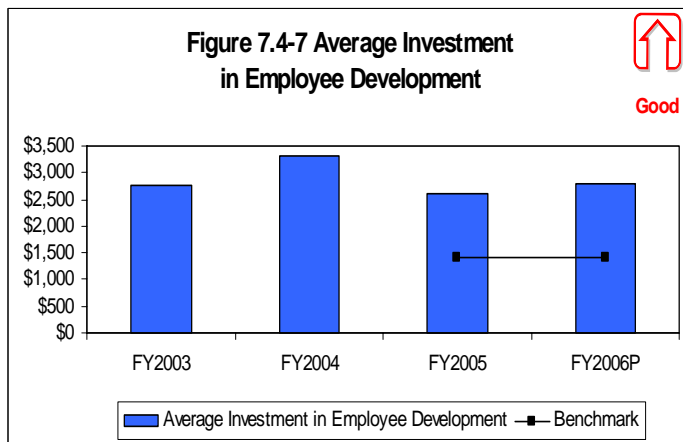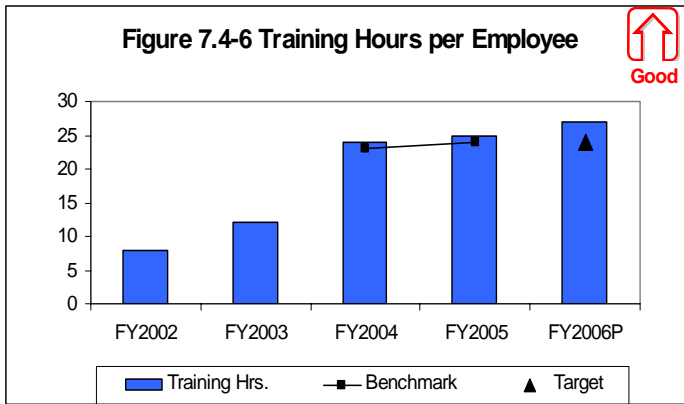
Figure 7.4-8 results reflect the number of role changes in response to our continued focus on identifying, developing and positioning talent for critical leadership roles throughout the organization. As noted in Category 5.2, we annually identify high potential leaders and determine succession and leadership development plans to ensure future growth and placement. Since 2002, we have successfully met our targeted expectations for leadership development, succession, and role movement each year.

7.4 a(3) Premier tracks levels of employee well-being and satisfaction to identify improvement opportunities and ensure we provide a great place to work for our "Premier" employees. A full survey of 60 questions is conducted biennially. Additionally, beginning in FY05 quarterly pulse surveys are conducted in which a sample of the employee base is surveyed regarding overall satisfaction and other key employee well-being measures. This approach ensures that during each year all employees are given the opportunity to be assessed and both employee satisfaction and dissatisfaction indicators can be determined and actions deployed to ensure we sustain our strengths and improve our gaps.

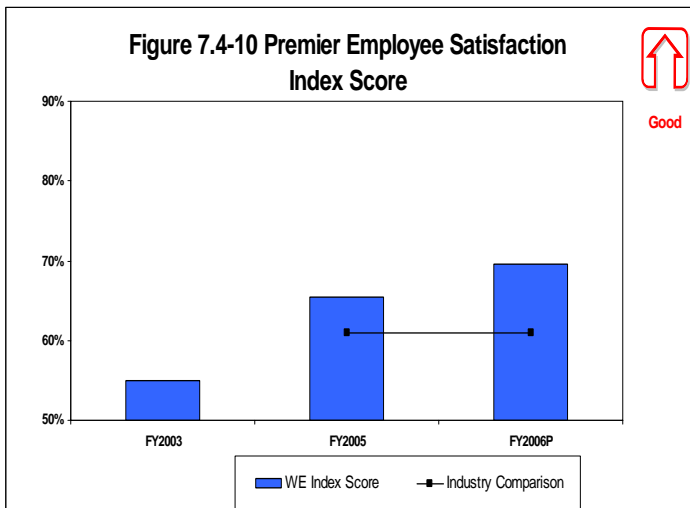**Figure 7.4-8 Leadership Succession Planning/Talent Pipeline**

Good
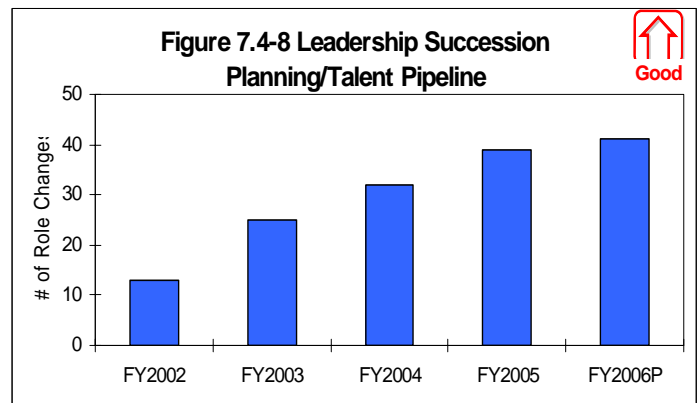
Figure 7.4-9 indicates Premier's trend in overall employee satisfaction, comparing favorably against the industry comparison and benchmark provided by our survey vendor. To further understand, drive, and monitor employee satisfaction, Premier developed an index of eleven questions that demonstrate high correlation to employee satisfaction and are measured and tracked on a quarterly basis. Figure 7.4-10 demonstrates our increased trends for our employee satisfaction index. Figure 7.4-11 shows employee satisfaction segmented by our business units and illustrates improvement trends positively compared to industry benchmarks. We further segment employee satisfaction data to further explore and understand both employee satisfiers and dissatisfies. Figure 7.4-12 demonstrates the satisfaction level our CEOs have with the Premier employees relative to how we demonstrate Premier's values.

Figure 7.4-9 Premier Employee Satisfaction - Overall

Good

Premier — Industry Comparisons

Figure 7.4-10 Premier Employee Satisfaction Index Score

Good

Figure 7.4-11 Overall Employeee Satisfaction By Business Units

Good

Figure 7.4-12 Customer Satisfaction with Premier Employees Demonstration of Values

Good

"How satisfied are you with the integrity, innovation, and passion for performance that Premier's staff demonstrates?"
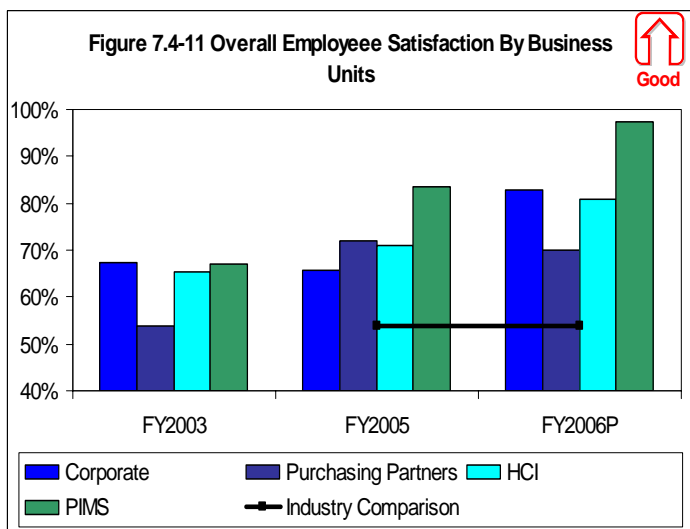
Figure 7.4-13 reflects our total separation rate trend as compared to industry benchmark. We made a decision in 2004 to consolidate our Chicago office to Charlotte over a 3 year period. Therefore, our separation rates during these timeframes have been variable.

Figure 7.4- 13 Total Separation Rate (Voluntary, Involuntary and Total)

Good

As shown in Figure 7.4-14 we have seen a dramatic decrease in the number of reportable worker's compensation claims. All of these efforts save valuable dollars on our Worker's Compensation premiums. The Worker's Compensation Ex-Mod Rating, as shown in Figure 7.4-15, provides an opportunity to evaluate our effectiveness as compared to industry benchmark. The Ex-Mod rating is a widely used industry comparison based on 1 being the industry average. If rating is above 1, premium will be multiplied by that amount. If rating is below 1, premium will be discounted by that amount. Our best in class performance has allowed us large savings in our annual premiums.

Figure 7.4-14 Workers Compensation Incidents Reported

Good

Figure 7.4-15 Worker's Compensation Ex-Mod Rating

Good

Figure 7.5-2 Products Submitted for Group Purchasing Contract Consideration
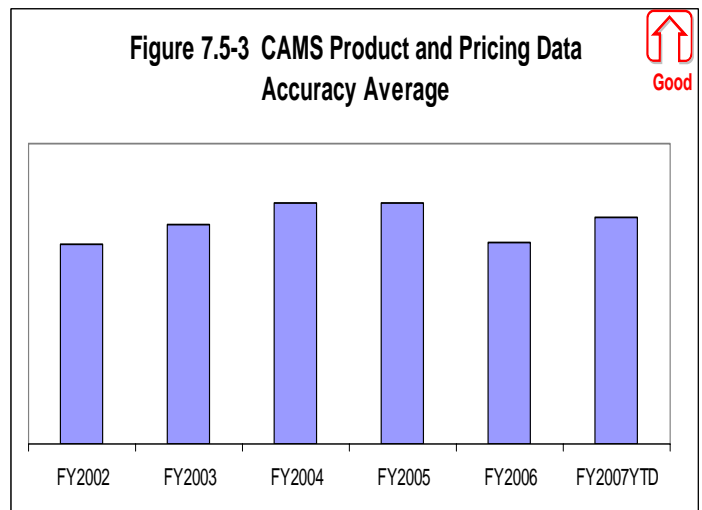
Good

7.5 - Organizational Effectiveness Results

7.5 a Organizational Effectiveness Results

7.5 a(1) Purchasing Partners' focus has been on delivering new group purchasing contracts to our membership in a timely manner (Figure 7.5-1). The continued improvement of our sourcing processes has resulted in more timely contract delivery to our membership. Timely contract notification allows members to rapidly purchase off newer agreements, thus benefiting from the value of the new contracts, products, and pricing.

Across the organization, product and service administration is monitored through key measures review. Figure 7.5-3 reflects positive trends for PP contract data accuracy.loaded into our Contract Administration Management System (CAMS). CAMS contains detailed product and pricing information on our GPO 1300+ contracts and provides the data feed into Supply Chain Advisor tools. CAMS product and pricing information is audited on a scheduled basis for data accuracy, which consistently remains above target.

Figure 7.5-1 New Contract Notification - Average Days Notice

Good

Figure 7.5-3 CAMS Product and Pricing Data Accuracy Average

Good

The Product Portal was established in 2003 to standardize the process for product introduction and accelerate the contracting sourcing process. Prospective suppliers who want to introduce products or services to Premier are directed to the portal web site. Figure 7.5-2 shows increased submission trends resulting in improved process efficiencies for Premier and suppliers which ultimately enhances our member contracting.

Premier uses a customer driven process to determine its targets for SCA system "uptime." Customer expectations drive the requirements for availability (how often a system is available and when) and performance (how quickly users get what they want when online). Premier establishes targets based on those expectations, and investments are made in technologies to match the capabilities, performance, and availability expected. As demonstrated in Figure 7.5-4 Premier has met or exceeded the expected target of 96% availability for our Supply Chain Advisor portal which enables members to electronically access all of our GPO contracts, product, and pricing data. Figure 7.5-5 reflects Informatics product availability consistently measures 99% uptime availability.
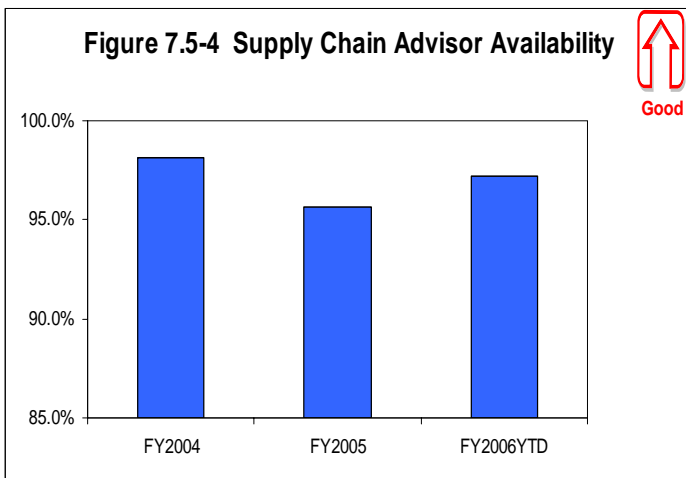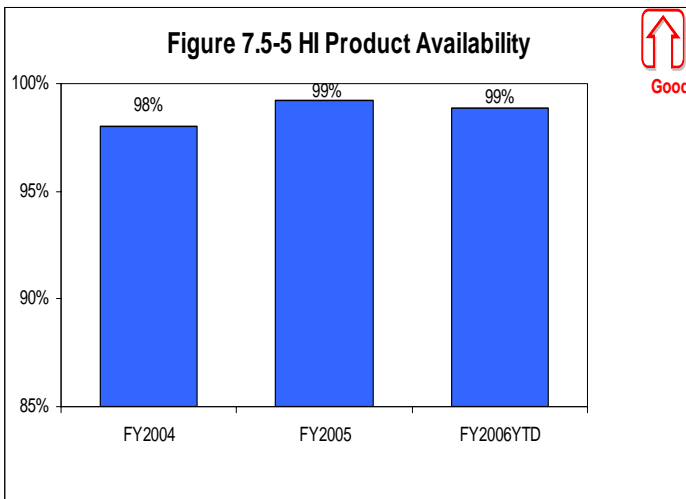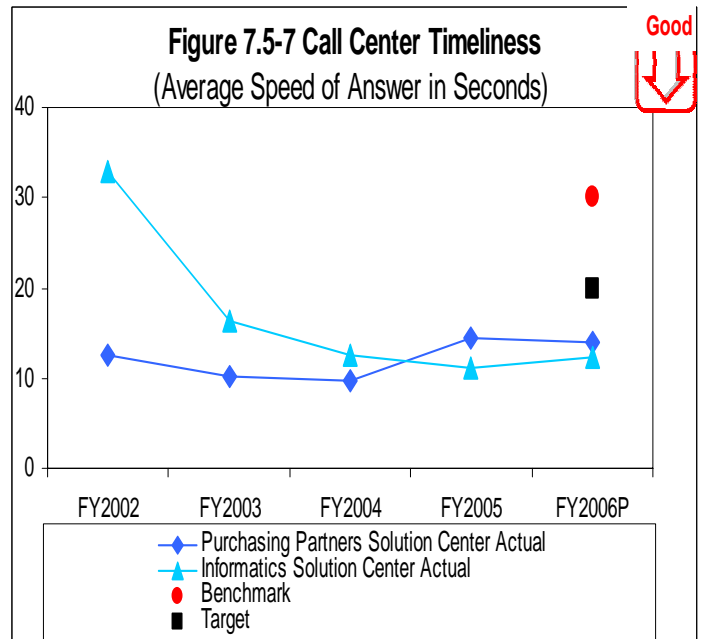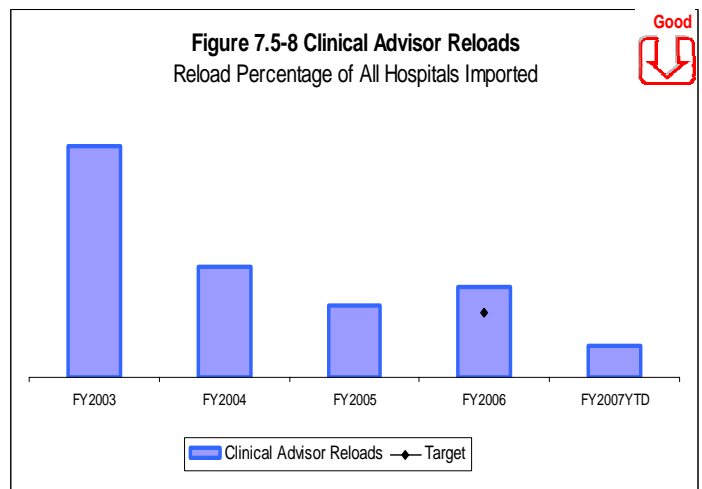
Figure 7.5-4 Supply Chain Advisor Availability
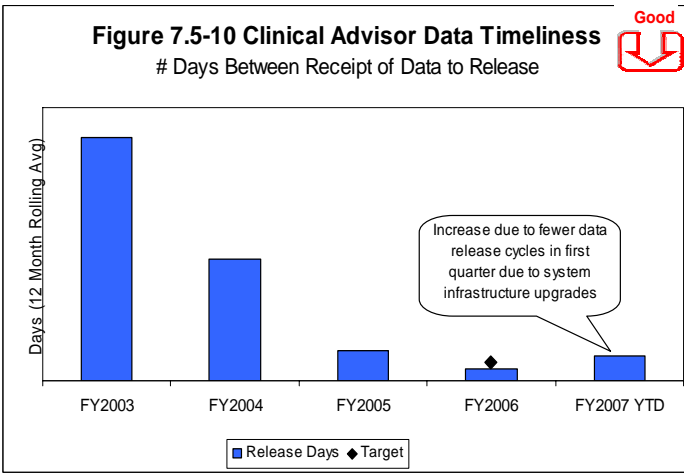
Good

Figure 7.5-5 HI Product Availability

Good

Figure 7.5-6 shows increased compliance scores of our top 50 volume suppliers. The Supplier Quality Program was established to enable a continuous process for evaluating and monitoring contracted suppliers' compliance. The Supplier Scorecard is the second part of the Supplier Quality Program which now includes the supplier quality review, supplier performance scorecard, and supplier quality performance awards.

Figure 7.5-6 Average Compliance Score for Top 50 Volume Suppliers
(Percentage Score on Supplier Scorecard)

Good

Figure 7.5-7 demonstrates Premier's increased ability to provide excellent customer service and response time. One measure we monitor is the average time it takes our two call centers to answer calls.

Figure 7.5-7 Call Center Timeliness
(Average Speed of Answer in Seconds)

Good

Premier and our customers expect a high degree of data integrity and measure this by the number of times data has to be reloaded due to a data error or change. The error or change can be caused by a customer or Premier. Figure 7.5-8 demonstrates consistent process improvement since 2003. The 2006 projection is a result of *hospitals* making changes to their source systems resulting in several quarters of data being reloaded, not actual data errors.

Figure 7.5-8 Clinical Advisor Reloads
Reload Percentage of All Hospitals Imported

Good

Clinical Advisor customers are working in a dynamic healthcare environment that requires current information to best serve their patients. To improve the cycle time, Premier automated technical processes, enhanced target date customer communications, and created escalation procedures to get executive sponsors involved when deadlines were missed. Figure 7.5-9 reflects the continued positive impact of these improvements.

Figure 7.5-9 Clinical Advisor Implementation Duration
(Number of days from project kickoff to completion)

Good

FY2002 — FY2003 — FY2004 — FY2005 — FY2006 — FY2007YTD

Actual ▬ Competitor ▲
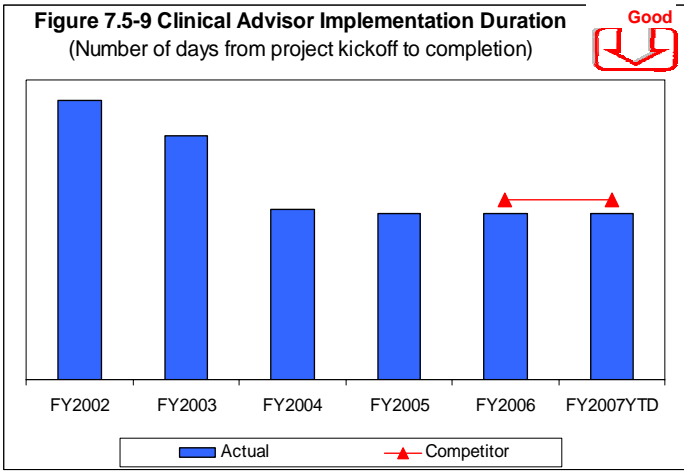
Many of the process improvement efforts made in the Clinical Advisor implementation process as well as other improvements to our data processing cycle within our Clinical Advisor product have resulted in significant cycle time improvements as shown in Figure 7.5-10.

Figure 7.5-10 Clinical Advisor Data Timeliness
Days Between Receipt of Data to Release

Good

Days (12 Month Rolling Avg)

Increase due to fewer data release cycles in first quarter due to system infrastructure upgrades

FY2003 — FY2004 — FY2005 — FY2006 — FY2007 YTD

Release Days ◆ Target

PIMS tracks AEIX policy issuance cycle time as a measure of the AEIX Underwriting process from the time a prospect/insured is bound for coverage (new or renewal) until a policy is issued to the customer. Improvements were identified, analyzed, and implemented during late FY04 resulting in a significant reduction in Underwriting process days as evidenced in Figure 7.5-11. Policy Year 2005-06 cycle time is well within the Spec Limit and is incrementally better than the cycle time in 2004-05. The Target, listed as the upper spec limit, is 30 days from policy binder to policy issuance.
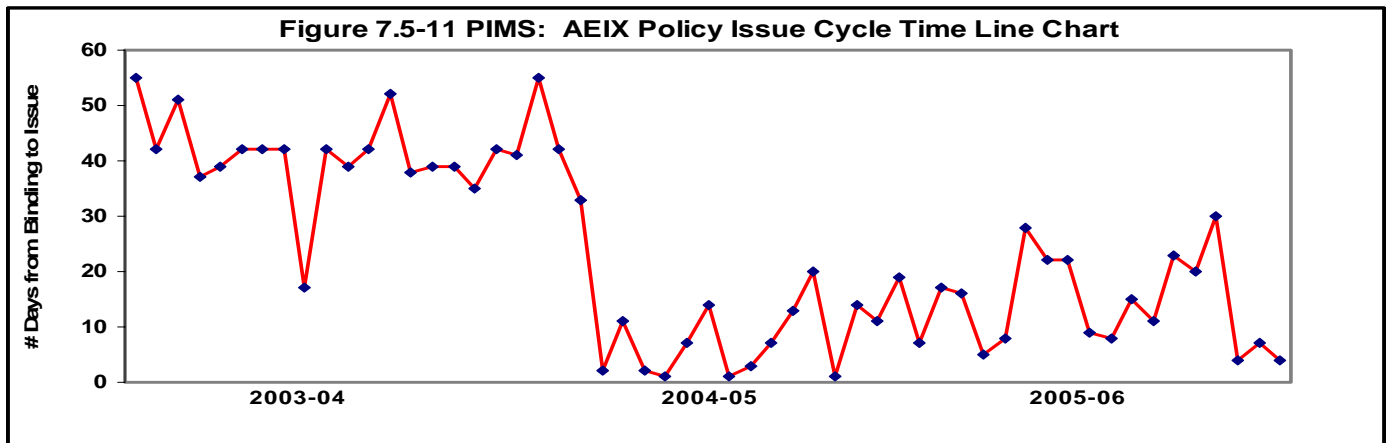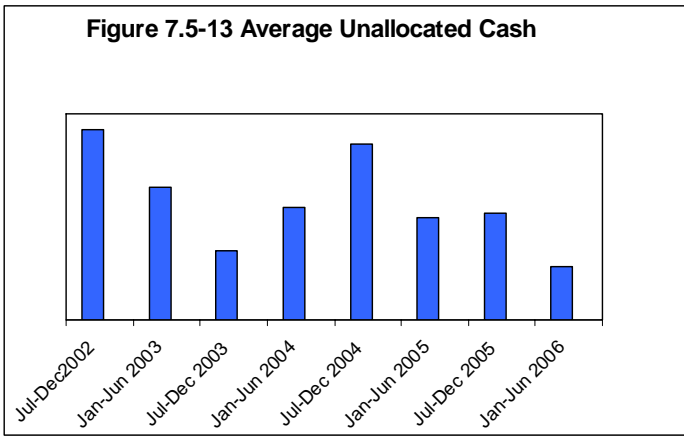
Figure 7.5-12 reflects PIMS case loss settlement data- one of the upstream indicators that can impact AEIX cash flow and influence net Income. This is important to our members and is reported to the Finance Advisory and Insurance Advisory sub-committees of the AEIX board. These are positive results of proper claims/risk management.

Figure 7.5-12 PIMS: AEIX Loss Payout by Year

Good

CY2003 — CY2004 — CY2005 — CY2006P
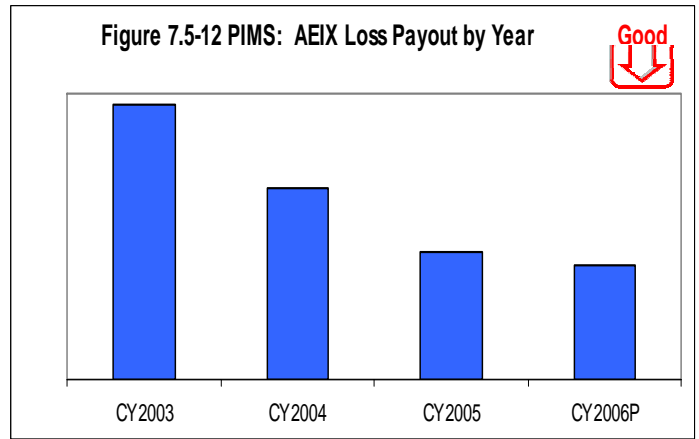
7.5 a(2) On a monthly and quarterly basis, Premier receives administrative fees from suppliers for purchases made by member hospitals. Following receipt, Premier allocates this cash by member hospitals, ensuring proper credit is provided for their purchasing volume. Monitoring unallocated cash receipts is important to ensure complete and timely distributions to Owners. Figure 7.5-13 demonstrates our continued ability to stay within target range for unallocated receipts. Another measure to assess the effectiveness of our cash allocation process is the percentage of cash receipts allocated within 30 days. The quality of our process, along with the integrity of data received from suppliers, enhances our ability to allocate higher amounts of dollars within a 30 day cycle time.

Figure 7.5-14 reflects the process improvements made in the cash receipt allocation process in early Fiscal 2006 resulting in the cycle time of allocating cash receipts with performance far in excess of the current year target and ahead of prior year levels.

Figure 7.5-11 PIMS: AEIX Policy Issue Cycle Time Line Chart

Days from Binding to Issue

2003-04 — 2004-05 — 2005-06

45

Figure 7.5-13 Average Unallocated Cash

Bar chart with categories: Jul-Dec2002, Jan-Jun 2003, Jul-Dec 2003, Jan-Jun 2004, Jul-Dec 2004, Jan-Jun 2005, Jul-Dec 2005, Jan-Jun 2006

Figure 7.5-14 Year to Date Average Percentage of Unallocated Cash Receipts Less Than 30 Days Old

Good ⬆

Legend: FY2004, FY2005, FY2006, FY2007

Reducing accounts receivables from administrative fees is an effort underway within Premier to further enhance revenue forecasts and provide effective and complete distributions to members. This measure shown in Figure 7.5-15 reflects the average accounts receivable days outstanding from contracted supplier payment of administrative fees. In early 2004, GPO standard contract language improvements were made to transition contract administrative fee payments from quarterly to monthly payment terms. As new contracts continue to be implemented with monthly payment terms, A/R average days outstanding will further decrease.

Good ⬇

Figure 7.5-15 Average Admin Fee A/R Days Outstanding

Categories: FY2002, FY2003, FY2004, FY2005, FY2006, FY2007YTD

Legend: Premier, Competitor

Accurate forecast of Premier's monthly financial performance ensures adequate availability of resources to run the business. Forecast accuracy also ensures that projected levels of member fee distribution funds will be available and meet our stated goals and member expectations. Figure 7.5-16 reflects the monthly process with an acceptable monthly target between +/- 5 percent. Improvements seen in the FY06 variation reduction is the result of a process improvement team's efforts to enhance the standardization of our robust forecasting process.
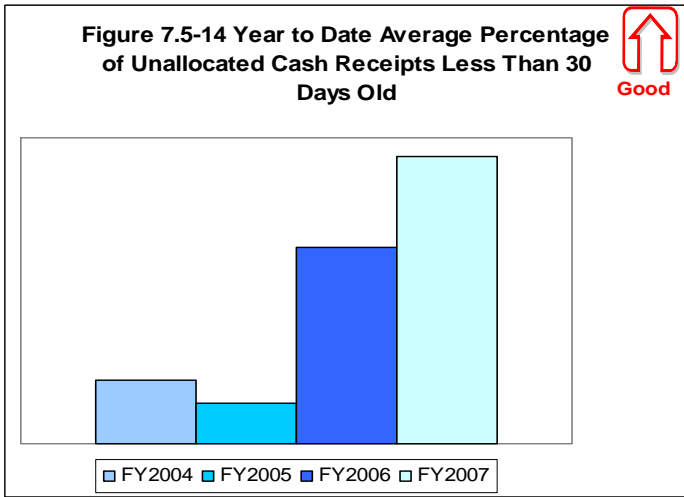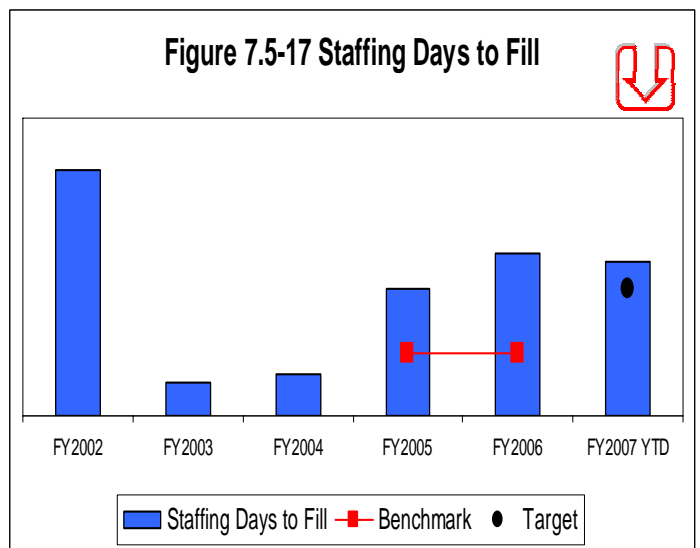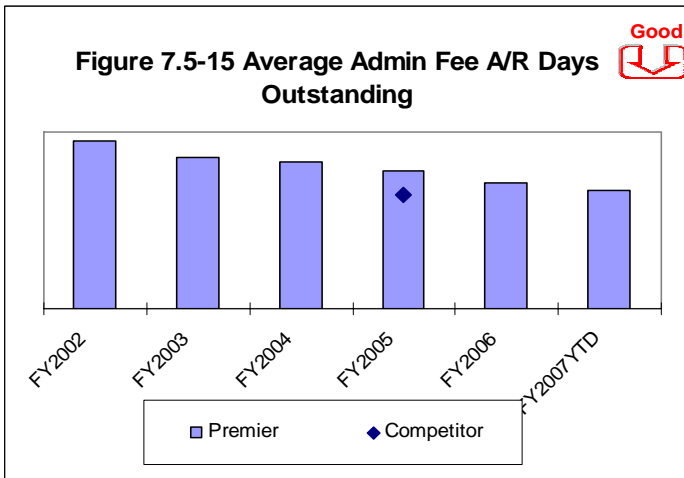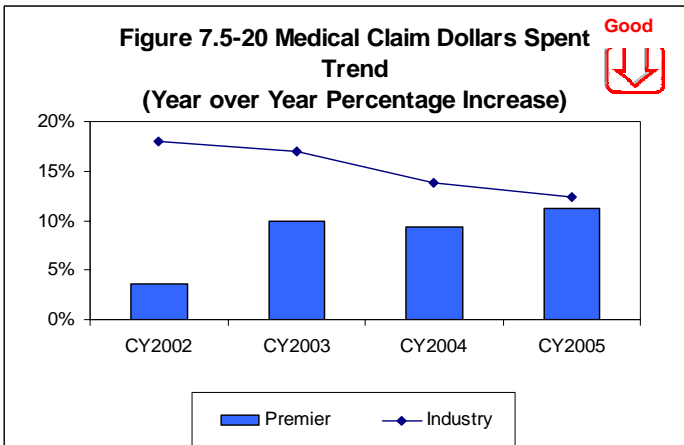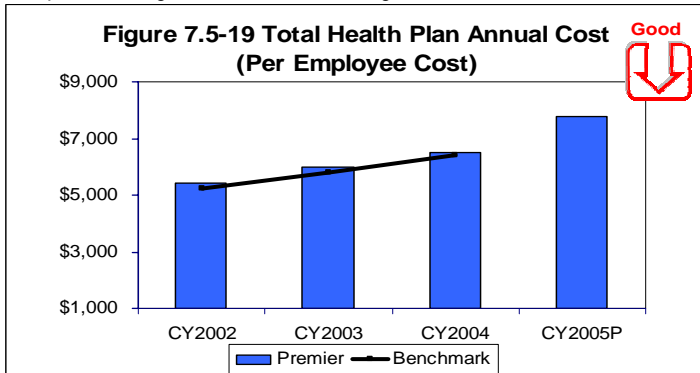
Figure 7.5-17 shows recruitment process cycle improvements implemented in FY02 resulting in a significant drop in overall staffing days to fill in FY03. The recent increase in days to fill for FY05 and FY06 is a direct result of higher than normal open positions due to our decision to consolidate our Chicago office into our Charlotte office, offering Chicago staff opportunity to relocate to Charlotte. A decision was made to keep our recruiting staffing level constant, thus allowing for the variance in staffing days during this specific period, as this is not anticipated to be long term. As such, we've increased our target slightly over FY05 and FY06 result to accommodate for reasonable staffing days to fill.

Figure 7.5-16 Month to Month Forecast Variability

Good = Stay in Range

Categories: Aug, Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May

Target Range

Legend: FY2004, FY2005, FY2006

Figure 7.5-17 Staffing Days to Fill

⬇

Categories: FY2002, FY2003, FY2004, FY2005, FY2006, FY2007 YTD

Legend: Staffing Days to Fill, Benchmark, Target

A high percentage of jobs require employees to travel to member and supplier sites and industry meetings. After salaries and benefits, travel cost is the second largest organizational expense; cost containment in airline travel is an essential requirement. Through effective contracts and contract management with major airlines and organization-wide policies for travel approval, Premier has been effective in maintaining a lower than average cost per mile for all business airline travel and we have been below our national benchmark as shown in Figure 7.5-18.

Figure 7.5-18 Travel Expense - Average Cost Per Airline Mile
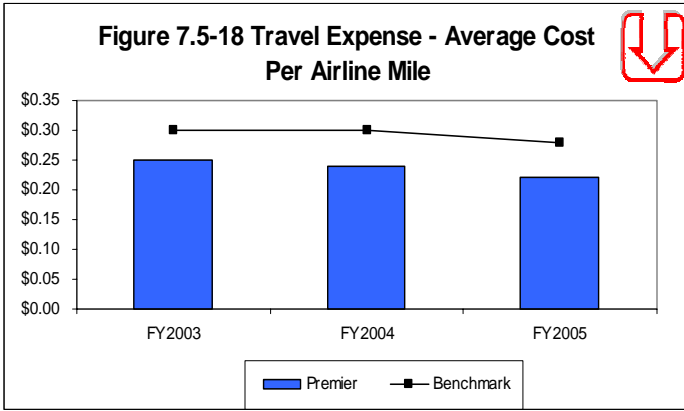
As healthcare benefit costs continue to rise, Premier aggressively manages employee health plans to minimize cost increases for Premier and its employees. At the same time, Premier provides better-paid coverage than the national benchmark as shown in Figure 7.5-19. As overall health costs continue to rise, Premier has been able to keep at or only slightly above the comparative pace of other companies as demonstrated in Figure 7.5-20. In addition, we've been able to keep our medical claim cost trend below the industry average. Thus, we have a rich plan offering with lower than average claim trend.
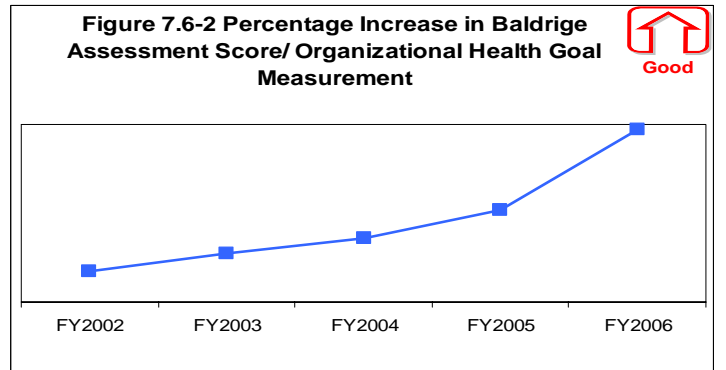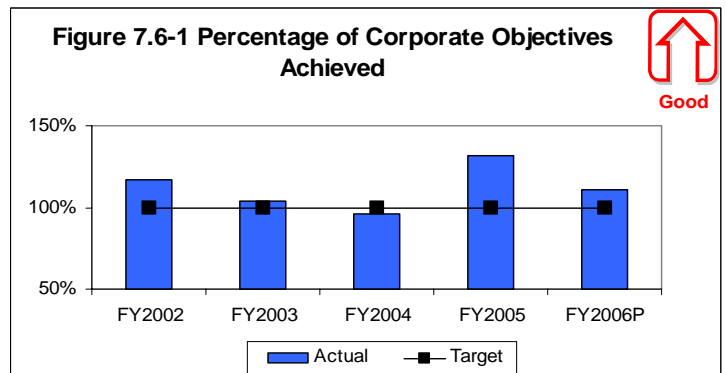

Figure 7.5-19 Total Health Plan Annual Cost (Per Employee Cost)

Figure 7.5-20 Medical Claim Dollars Spent Trend (Year over Year Percentage Increase)

Our information technology solutions are the gateway for key products and services for our customers as well as our employees. As a result or our consistent security and confidentiality safeguards on our IT systems, we have never had any reported security or confidentiality breaches reported.

7.6 - Leadership and Social Responsibility Results

7.6 a Leadership and Social Responsibility Results

7.6 a(1) In order to achieve Premier's strategic objectives, we establish annual incentive targets to pull the organization towards its long term objective to improve the health of communities. As shown in Category 2, the targets are established with threshold, target (100% achievement), and stretch levels (150% of achievement) of achievement. Figure 7.6-1 demonstrates the success Premier has had with respect to meeting and exceeding the targeted levels of achievement, which are established with an estimated 80% probability of achievement at the beginning of each year. We have outperformed expectations for most of our strategic objectives. Further segmentation of the actual corporate objectives can be seen in Category 2.
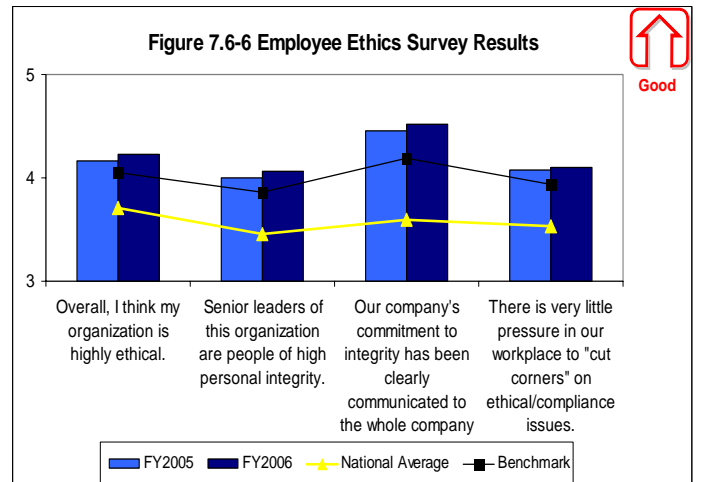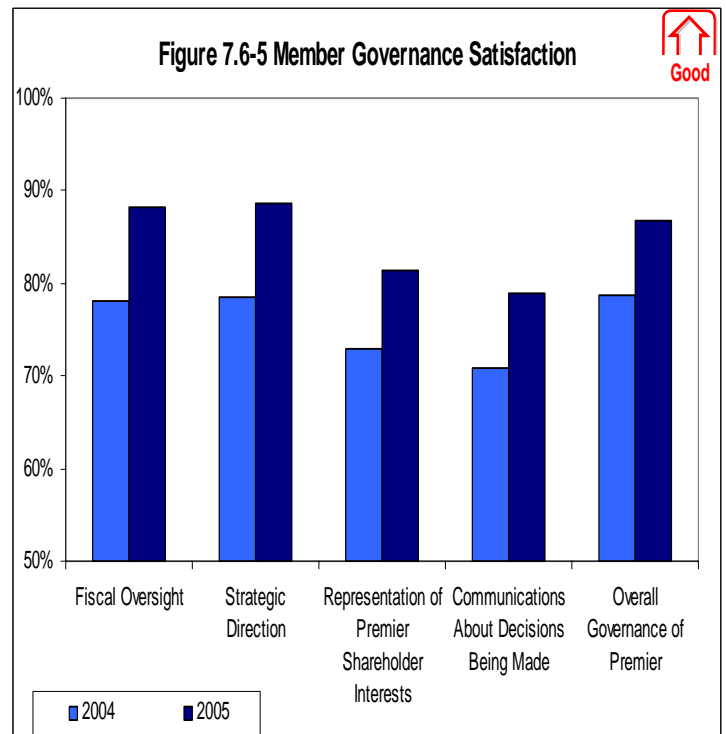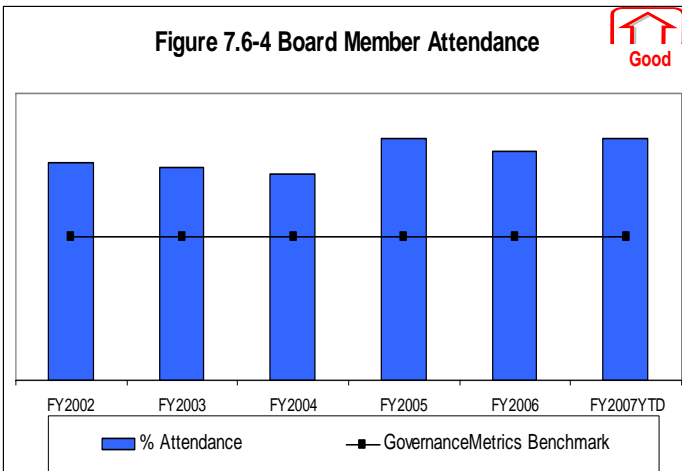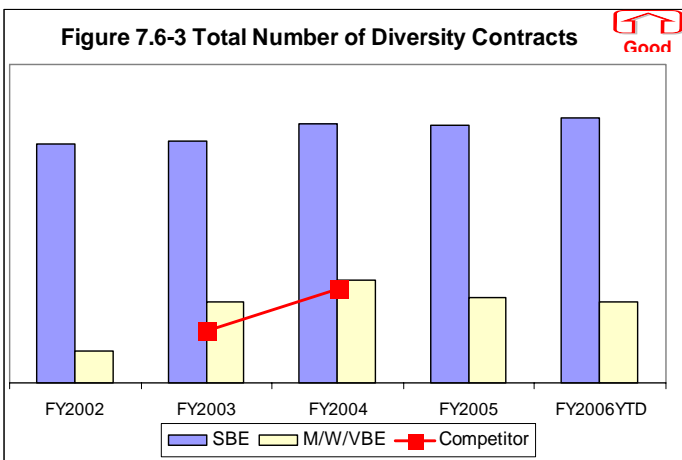
Use of the Baldrige Criteria is an important component of Premier's organizational performance improvement system. Annual assessment feedback (from both external Baldrige examiners, consultants, and our internal PEAK Team) serves as input to the SPP and incorporates the review of performance review mechanisms and measures (4.1a-3). These assessments have been conducted annually for each of the past five years. Figure 7.6-2 indicates the percentage increase in the Baldrige score on an annual basis over time. This trend continues to validate improvements undertaken by the organization. The FY2006 target increase of additional 3% aligns with the FY2006 Organizational Health target of 3% improvement as shown in Figure 2.1-3. We recognize that as the benefits of improvement efforts are realized and the score increases, subsequent levels of achievement become more and more difficult, but bring even greater value.

Figure 7.6-1 Percentage of Corporate Objectives Achieved

Figure 7.6-2 Percentage Increase in Baldrige Assessment Score/ Organizational Health Goal Measurement

Premier focuses on including Minority (MBE), Women (WBE), Veteran (VBE), and Small Business Enterprises (SBE) as contracted suppliers in its group purchasing portfolio. As shown in Figure 7.6-3, we have sustained our trends in SBE contracts and continue to exceed our competitor in this area. Over 25% of our purchasing portfolio, representing 216 contracts with 177 companies includes suppliers that are classified as MBE, WBE, VBE, or SBE.

7.6 a(2) Figure 7.6-4 shows board of director attendance at in-person meetings and monthly conference calls. The results indicate a strong level of commitment and participation by the board members and demonstrate achievement beyond the benchmark.

Figure 7.6-5 reflects positive member satisfaction with the governance of the organization as a result of an annual survey of member chief executives. In addition to overall governance satisfaction, the BoD provides annual assessment of our CEO through a MSFB process (Category 1.2a(2)).

Figure 7.6-3 Total Number of Diversity Contracts

Good

SBE M/W/VBE Competitor

Figure 7.6-4 Board Member Attendance

Good

% Attendance GovernanceMetrics Benchmark

Figure 7.6-5 Member Governance Satisfaction

Good

2004 2005

Figure 7.6-6 Employee Ethics Survey Results

Good

FY2005 FY2006 National Average Benchmark

Premier is very focused on being an ethics leader in our industry. Similar to policies and guidelines, deployment and integration of corporate ethics are measured by the perception that others have regarding ethical behavior. Premier surveys its employees for their perspective on the ethics of our organization and its leaders and achieves best in class performance as demonstrated in Figure 7.6-6 (Category 1.2b(2)). Our ECO investigates any reports or potential allegations to our CoC or BCG. Figure 7.6-7 shows the number of allegations (potential or suspected violations) to be few since our CoC was implemented. This decrease is due to full implementation and successful annual training.

| Figure 7.6-7 Premier ECO Reporting Potential Allegations	
Years	*Potential Ethics Allegations*
1/04 – 12/04	12
1/05 – 12/05	3
1/06 – YTD	0

7.6 a(3) Although not required by regulation, Premier completes an annual external financial statement audit with Ernst and Young. Premier has always received an unqualified opinion from its auditors with no scope limitations and the auditors have not identified any material weaknesses in Premier's internal control structure. While Ernst and Young does not officially track the number of comments provided to different clients, Premier has historically received only four or five comments each year. Feedback from Ernst and Young and members of our Audit Committee suggest that this represents a low number of comments and indicates a strong internal control structure (Category 1.2a(1)). Figure 7.6-8 indicates the number of internal findings identified as a result of internal audits performed during the fiscal year. As we continue to improve our internal processes, the number of internal audit findings has decreased.

Figure 7.6-8 Number of Internal Audit Findings
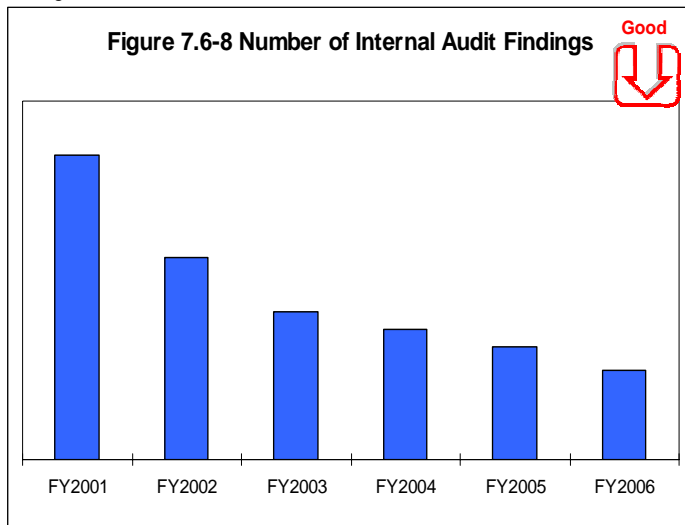
7.6 a(4) As shown in Figure 7.6-9, we have shown annual trend results at the 100 percent level for all of our key regulatory compliance and risk measures. As stated in Category 1, we have consistently reached 100 percent achievement in all of our ethical expectations and practices, which far exceed industry benchmarks. Premier is proud to be held as the "gold standard" in our industry for ethical practices.

7.6 a(5) Premier's long term goal is to improve the health of its communities. Premier established a social responsibility program to focus on the communities in which we live and work. Through this program, Premier supports employee volunteerism in a variety of ways

including providing employees with the ability to volunteer during work hours on a quarterly basis and providing matching dollars for employees who volunteer their personal time in support of the community. While the number of employee volunteer hours dipped in FY2005 (due to our inability to participate in the MS Walk) Fiscal 2006 volunteerism has increased, as shown in Figure 7.6-10. To encourage cross unit team involvement and community support, we coordinated a Premier wide volunteer day as part of our all employee annual Values Conference in September, 2005 and had over 500 employees volunteering in groups across Charlotte, NC.


Figure 7.6-10 Premier Volunteer Hours
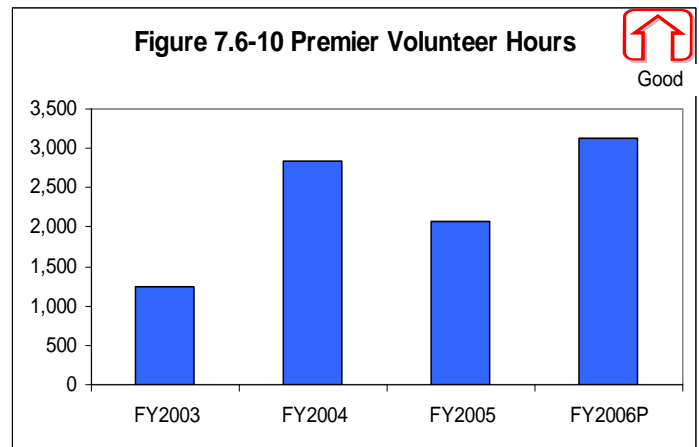
Additionally we measure and monitor our financial giving to the community and are encouraged by our year over year increase in annual donations by employees and matching donations by Premier. As an example, Premier employee Jeans Day contributions to assist Hurricane Katrina victims exceeded $52,000. With Premier matching, that resulted in more than a $104,000 donation to those impacted by the disaster. Figure 7.6-11 demonstrates our strong employee giving towards United Way. During 2005 employees donated more money to various causes, thus United Way donations did not increase.

Figure 7.6-9 Key Compliance and Risk Processes Results Related to Figure 1.2-2		
Key compliance processes	Goals/Measures	Results
Safe Harbor Compliance	100% Safe Harbor Owner reporting	100%
Sarbanes-Oxley Compliance	100% completion of implementation for all applicable sections	100%
Ethics and Compliance (2002-2006)	100% GPO HIGPA Code of Conduct compliant	100% compliance for all Ethics and Compliance Goals
	100% GPO HPGII compliant	
	100% Compliance to HIPAA regulations	
	100% Contracted suppliers provided Business Guidelines	
	100% employees signed COI	
	100% employees trained	
Key risk processes	Measures/Related results	Results
Internal Risk Assessment (2000 - 2006)	100% completion of internal audit plan	100% completion of audit plan
	100% action plan completion for internal audit findings	Completion of findings on track for 100% completion
Financial Audit (1996 - 2006)	100% annual unqualified opinion on financial statements (7.6-text)	100%

Figure 7.6-11 Average United Way Gift Per Employee

Good
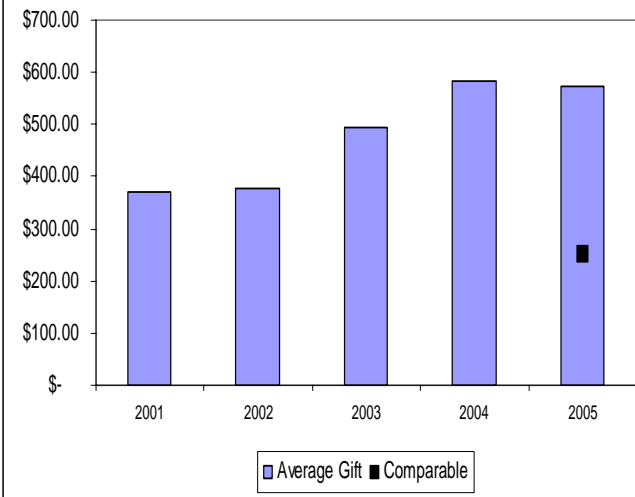
Recognition from these various institutions validates the hard work of our employees and the contributions we've made to our communities. It provides us the opportunity to reflect on our success and celebrate, as well as to continue the pattern of excellence we've established. Additionally, Premier has been recognized in its communities for social responsibility and operational performance through a variety of awards, as shown in Figure 7.6-12.

Figure 7.6-12 Key Premier Awards Received	Year Received
Charlotte Chamber IT Council Blue Diamond Award - Best Technology Product (Market Vantage)	1999
United Way Excellence in Giving Award	2000-2004
The Fortune "100 Best Companies to Work for" - semi-finalist ranking	2002
Champions for Change Award for Hospitals for a Healthy Environment (H2E)	2003, 2004, 2005
DM Review 2004 World Class Solutions	2004
LifeSpan Corporate Philanthropist of the Year Award	2004
NC Awards for Excellence - Advancement Level	2005
Charlotte Chamber IT Council Blue Diamond Award - IT related categories for Supply Chain Advisor	1999, 2004, 2006 (finalist)

As an alliance, Premier believes in the power of knowledge sharing and in recognizing top performers. Over the years Premier has established several awards, some carrying a cash award. Awards are presented annually to top performers during member conferences, and winners are also asked to share best practices. Figure 7.6-13 shows the awards established by Premier to recognize healthcare organizations.

Figure 7.6-13 Premier Awards Given
Monroe E. Trout Premier Cares Award - Established in 1992. Presented annually to not-for-profit U.S. organizations providing service to the medically underserved. Recognizes replicable community programs that have made a significant positive impact on the health of an underserved population. To date 14 winners and 60 finalists have been recognized and received cash awards of approximately $2.5 million.
Premier Award for Quality - Established in 2001. Presented annually to top performers actively participating in Premier's Clinical Advisor data base. Recognizes clinical excellence in the industry based on quality and efficiency indicators. To date approximately 75 awards in various clinical categories have been recognized.
James L. Scott Excellence in Advocacy Award - Established in 2001. Presented annually to Premier Owner organizations. Recognizes significant commitment to Premier's legislative agenda and hospital advocacy program. To date 5 winners have been recognized.
Illuminating Excellence Award - Established in 2004. Total awards given: 2. Presented annually to a Foodservice Operator within a Premier member organizations. Recognizes implemented improvements in foodservice operations as well as professional activities within and outside of Premier. To date 2 winners have been recognized.
Premier Diversity Recognition Award - Established in 2004. Presented annually to Premier member organizations and contracted suppliers. Recognizes members for establishing active supplier diversity programs using the Premier contract portfolio. Recognizes contracted suppliers for their efforts to support the development of minority and women-owned businesses. To date 2 member winners and 1 contracted supplier winner have been recognized.
Premier Supplier Quality Program Awards - Established in 2006. Presented annually to Premier contracted suppliers. Recognizes contracted suppliers for Outstanding Quality performance and improvement. The first awards will be presented at the June 2006 Annual Breakthroughs Conference.