

SUPPLIER ACCOUNTS, GROUP PURCHASING ORGANIZATION MEMBERSHIPS, PRICING AGREEMENTS, AND PROCUREMENT OF SUPPLIES

PURPOSE

State law does not require public hospital districts to engage in any specified process for the establishment of supplier accounts, group purchasing organization memberships, and pricing agreements, or the procurement of supplies. The purpose of this policy is to establish District processes for the establishment of supplier accounts, group purchasing organization memberships, and pricing agreements, and the procurement of supplies.

POLICY

Definitions

For purposes of this policy, Supplies are defined as tangible articles consumed in the normal course of business operations and for the provision of services to patients. Supplies exclude materials which are defined as articles incorporated in a public work and which form a part of a public work, and articles consumed in the production of a public work.

Supplier Account means a pre-established mutual understanding and processes between the District and a supplier whereby the District may place orders for supplies, the supplier will deliver the supplies ordered, and the District will receive the supplies and pay the supplier. A supplier may be a retailer, wholesaler, or manufacturer of the supplies.

SUPPLIER ACCOUNTS, GROUP PURCHASING ORGANIZATION MEMBERSHIPS, PRICING AGREEMENTS, AND PROCUREMENT OF SUPPLIES

The establishment of a supplier account may involve an account or credit application and a master agreement or contract specifying standard terms that apply to all future orders to establish a mutual understanding of delivery and payment terms. However, supplier accounts and master agreements exclude commitments to purchase specified quantities, or dollar amounts of supplies.

Group Purchasing Organization (GPO) means an entity that negotiates contracts with suppliers to secure products for its members at pre-negotiated prices. By pooling the purchasing power of many organizations, GPOs can offer significant cost savings and streamline procurement across various industries like healthcare. Key functions include consolidating member demand, managing supplier relationships, and providing services like analytics and administrative support. However, membership in a GPO excludes commitments to purchase specified quantities, or dollar amounts of supplies.

Pricing Agreement means a written agreement between the District and a supplier to offer supplies at a specified price. Specified prices may be contingent on the purchase of specified quantities of supplies which may be referred to as pricing tiers. Pricing tiers may be written in an if/then format. For example, if the District were to purchase 100 widgets, then the price would be x per widget, and if the District were to purchase 200 widgets, then the price would be y per widget. Pricing agreements may be negotiated directly with a supplier or through GPOs. However, pricing agreements exclude commitments to purchase specified quantities, or dollar amounts of supplies.

Procurement of Supplies means executing a commitment to purchase specified quantities of supplies at specified prices. Procurement may be executed through Purchase Orders (POs), supplier order forms, written contracts to purchase, or verbally by authorized representatives of the District. Procurement of supplies must be documented and approved by an authorized representative of the District regardless of the means of execution.

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Identification of Supply Needs and High-Value Solutions

The Director of Supply Chain for the District (the Director) will collaborate with physicians, other providers, department leaders, and employee-subject matter experts to identify supply needs, conduct demonstrations of supply alternatives, and standardize high-value supplies at reasonable cost. In establishing the value offered by a supply item, the Director will consider the following evaluation factors with the highest weights on efficacy, safety, and compatibility

- a. Efficacy
- b. Safety
- c. Compatibility with specialized medical equipment and systems
- d. Reliability of supply chain
- e. Availability of specialized training
- f. Cost
- g. Standardization across departments.

Inventory Management

The Director will establish and maintain procedures for Supply Chain employees to conduct cycle counts of supply inventory, calculate usage rates for each supply item, and establish minimum and maximum inventory par levels and reorder lot sizes. The Director may delegate these responsibilities and tasks to department employees upon mutual agreement with the department leader.

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Establishment of Supplier Accounts, GPO Memberships, and Pricing Agreements

The Director will identify suppliers to meet supply needs across the District. The Director will establish the greatest number of supplier accounts, GPO memberships, and pricing agreements deemed beneficial for the District and practicable. The Director will ensure the District participates in at least one healthcare-focused GPO and will ensure that no supplier account, GPO membership, or pricing agreement contains a commitment to purchase a specified quantity, or dollar amount of supplies.

Procurement of Supplies

Supply Chain employees will determine when supply item quantities have decreased below minimum par levels and will place requests in the District's Enterprise Resource System (ERS) to inform Supply Chain Buyers of replenishment needs. The Director may delegate these tasks and responsibilities to department employees upon mutual agreement with the department leader.

Supply Chain Buyers will review requests for reasonableness and errors in requested quantities, review current pricing and identify suppliers offering highest value for the quantities and reorder lot sizes needed, consolidate orders for like supply items and suppliers, issue POs and other order documents, and otherwise commit the District to purchase specified quantities and dollar amount of supplies. The Director may delegate these tasks and responsibilities to department leaders upon mutual agreement with the department leader.

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Supply Procurement Contracts

All supplies purchased, the estimated cost of which is in excess of \$75,000, shall be by contract. Before awarding any such contract, the District shall conduct a competitive negotiation and value analysis.

The Director will obtain proposals, quotes, and supplemental information from an adequate number of qualified suppliers and public and private sources, as determined by the District in its discretion, to permit reasonable competition consistent with the requirements of the procurement. Proposals, quotes, and supplemental information will identify significant evaluation factors including efficacy, safety, compatibility with specialized medical equipment and systems, reliability of supply chain, availability of specialized training, pricing, discounts, and pricing tiers. Suppliers are free to provide proposals, quotes, and supplemental information including pricing consistent with the District's membership in a GPO.

The District will evaluate and analyze the information received, identify qualified sources, determine the highest-value supplier with price and other factors considered, and select the supplier for awarding the contract. The District may reject any and all proposals and quotes for good cause and request new proposals and quotes.

In considering if the estimated cost is in excess of \$75,000, the Director will consider only the purchase commitment at hand and not any optional subsequent commitments. Commitments may be split to meet the business needs of the District. Commitments may not be split solely to avoid competitive negotiation and value analysis or execution of a purchase by contract.

Competitive negotiation and value analysis and contracts may be used for supplies purchased, the estimated cost of which is not in excess of \$75,000.

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Alternatives

As an alternative to competitive negotiation and value analysis, the District may let contracts using:

- a. agreements for joint or cooperative action under Chapter 39.34 RCW *Interlocal Cooperation Act*
- b. competitive bid as used for Public Works and materials under Chapter 39.04 RCW Public Works and Chapter 70.44 RCW Public Hospital Districts. While the District has determined competitive bid processes are not required for the procurement of supplies, are not typical among healthcare suppliers, and may result in inferior value compared to competitive negotiation and value analysis due to unique evaluation factors for most medical supplies and the need for inventory par levels to be responsive to changing usage rates for all supply items, the Director may identify scenarios when competitive bid processes best meet the needs of the District.