



Vendor Procurement Booklet



www.AuroraHealthCare.org

Welcome to Aurora Health Care

The Aurora Mission Statement

The mission of Aurora Health Care, as a community-owned, not-for-profit Wisconsin health care system, is to promote health, prevent illness, and provide state-of-the-art diagnosis and treatment, whenever and wherever we can best meet people's individual and family needs.

We are committed to improving the quality of health care outcomes for people today, through the rapid and broad application of current knowledge. We are also engaged in the education of health care professionals, and the ongoing quest for new knowledge through medical research, in order to contribute to the quality of health care in the future.

Because we recognize the personal nature of health care services, we are committed to creating environments that meet the diverse physical, emotional, spiritual, social and economic needs of our patients and clients, as well as the people who serve them.

We are concerned with the overall welfare of our communities, and we recognize that there are limits to the resources people can invest in health care. Working together, the people of Aurora are determined not only to provide services of the highest quality, but also to make those services affordable and accessible to every person in every community we serve.

Our Vision

Aurora Health Care was created around a single idea: *There is a better way to provide health care.* We will be satisfied only when Aurora gives people better access, better service, and better results than they can get anywhere else. Working together, the people of Aurora will find a better way.

Our Values

We believe in Accountability, Teamwork, and Respect.

We believe in Setting the Standard for Service.

We believe in Continually Improving our Quality.

We believe in Controlling our Costs.

Providing care at 14 hospitals, 100 clinics, more than 130 retail pharmacies and other locations, Aurora offers a continuum of health care from primary and preventive services to acute, extended and home health services. Together, the people of Aurora are finding better ways to provide health care in more than 80 communities throughout eastern Wisconsin.



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General Information

The purpose of these guidelines is to assist suppliers in understanding and following the procedures of the Aurora System Logistics Department. System Logistics consists of Capital Equipment Services, Corporate Purchasing, Pharmacy Logistics and Distribution Services. Our goal is a more effective working relationship that will be mutually beneficial.

Vendor Procurement Booklet Updates

Revisions will be incorporated into this booklet at various times throughout the year.

Expectation of Vendor Relationships

The Buyer-Seller Relationship

The purpose of the buyer-seller relationship is to form mutually beneficial alliances between Aurora and its vendors.

The buyer-seller relationship must be based on compatible corporate value systems characterized by mutual benefit, trust, integrity, leadership, and frequent dialogue between our organizations. Contracts and pricing must be mutually beneficial and adhered to in order to ensure the continued growth and longevity of the relationship.

Aurora encourages you to become one of our business partners. A few of the ways this can be accomplished are:

- Looking for new and creative ways to conduct business (“thinking outside of the box”)
- Offering value-added services or services provided beyond the normal scope of work which have tangible value (i.e., web-enabled ordering, additional educational training, waiving of restocking and late fees, extension of expiration dates when requested, packaging requirements, storage options at no additional cost, etc.)
- Assisting departments in establishing the appropriate procurement based on volume projections and procedures
- Establishing consistent purchasing processes
- Ensuring that all products, equipment and services are of the best quality and are well-defined
- Assisting Aurora Health Care in reducing overall expense in relation to overall revenue

We welcome suggestions that will enhance the buyer-seller relationship and help our organization provide high-quality, cost-effective health care services.

Adherence to the guidelines in this Vendor Procurement Booklet will be critical to the success of your partnership with our organization.

Vendor Performance Expectations

Aurora is dedicated to conducting business relationships with vendors in a fair and equitable manner aimed toward long-range cooperation and mutual benefits. To accomplish this, we expect our vendors to strive to achieve the following performance criteria:

- Provide on-time delivery based on pre-negotiated lead times.
- Provide best pricing and terms of sale.
- Take immediate corrective action on defects and institute corrective action to prevent recurrence.
- Provide immediate information on marketplace trends.
- Provide high-quality, accurate documentation/invoicing to assure prompt payment for goods and services.
- Provide detailed reports of usage information by facility location.
- Provide sales support and required in-service on all contracted products.
- Provide EDI, XML, electronic technology to expedite our ordering process.
- Provide Aurora System Logistics with a Corporate Account Representative.
- Assist Aurora in identifying opportunities to improve quality and reduce costs.
- Provide distribution support on a regional scope to effectively service all of our facilities in eastern Wisconsin.
- Provide competent and professional sales, service, and support staff.
- Provide clear and accurate representation of products.
- Provide product literature when requested.
- Conduct business with Aurora only in areas or locations identified by Aurora.

Educational Training Sessions

All clinical in-service education that is conducted by vendor representatives must be coordinated by site training staff and scheduled in advance to accommodate various shifts. It will also be the responsibility of the vendor representative to obtain an in-service log sheet and to ensure that all Aurora Health Care staff sign-in when attending the in-service session.

Vendor representatives who conduct in-service sessions must provide documentation of their competency and/or credentials.

Vendors are not to view any scheduled procedure or access any patient medical records or surgery schedules without authorization. Vendors are not permitted in any employee lounge, break-room, or change areas.

Gifts and Gratuities

System Logistics seeks to ensure that all Aurora business activities are conducted with honesty, integrity, and fairness. We regard it as unacceptable for Aurora employees or family members to accept gifts, services, discounts, or favors from current or potential vendors, except as follows:

- Aurora employees may accept gifts with a value of \$100 or less that are clearly advertising novelties (i.e., calendars, appointment books, pens, etc.). The value of these gifts should not exceed \$100 a year, per vendor.
- Aurora employees may accept food items from vendors, provided they share these items with others in their departments and that the items are of nominal value.
- Vendors cannot provide any gifts to employees during the solicitation and negotiation phases of a contract. Even nominal gifts of \$25 or less cannot be accepted in these instances.
- Vendors should not receive any solicitation from Aurora employees unless doing so under the auspices of an officially sponsored philanthropic process such as an Aurora-wide effort to solicit grants or charitable donations. In this case, the event would be an Aurora “sponsored event” for the health care system.
- Educational seminars and other trips provided by vendors are appropriate when the vendor-sponsored event has a business component associated with it. An example would be an outing that provides either an exchange of peer information or an opportunity to build vendor relationships that will benefit Aurora. These events must be approved by System Logistics Management.
- Attendance at an event that is required as part of the performance of an individual’s job responsibilities is acceptable. An example is a site visit as part of a formal capital equipment purchase and has the approval of the Site Administrator and System Logistics management.

Violation of Policy

Vendors are responsible for the professional behavior of their representatives while in our facilities. The following activities are not permitted:

- Distribution of unsolicited product literature
- Direct involvement or discussion with Aurora patients
- Conducting business in the corridors, cafeteria, gift shop, or public areas without a scheduled appointment
- Misrepresenting yourself, your company, or product to Aurora
- Unprofessional behavior
- Divulging confidential information

Representatives will be given a written warning of any violation of policy, with a copy going to the representative’s manager. Repeat offenders may be barred from Aurora sites for an indefinite period. Aurora reserves the right to bar representatives at any time. Unsolicited meetings with line staff (e.g., buyers, purchasing assistants and clerical staff) are prohibited.

The activities of vendor representatives are regulated to assure provision of adequate and accurate information to appropriate individuals, departments, service lines or health care professionals while avoiding interference with patient care and value analysis objectives.

Conducting Business with Aurora Health Care

The Aurora System Logistics Department is located at 180 West Grange Avenue, Milwaukee, WI 53207. Business hours are 8:00 a.m. - 4:30 p.m. Monday through Friday. Unscheduled visits by vendors are not permitted. Unsolicited meetings with line staff (e.g., buyers, purchasing assistants and clerical staff) are prohibited.

It is the policy of Aurora Health Care that **only** System Logistics Department personnel have the authority and responsibility to solicit and negotiate contractual commitments required for the purchase of supplies, pharmaceuticals, services, and equipment on behalf of the organization.

The System Logistics Department is the primary contact between Aurora and its vendors. In cases where clinical issues have made it advisable, System Logistics will direct the vendor to the proper personnel. When this is necessary, System Logistics is to receive full communication and correspondence related to such instances.

All negotiating, product evaluations, and supply contracting is to be coordinated by System Logistics. Since System Logistics comprises both capital equipment and supplies, it is advantageous for the vendor to furnish a Corporate Account Manager to be assigned to Aurora to facilitate processes that involve one or both areas.

Scheduling Appointments with Personnel

Scheduled appointments are required to visit facility personnel according to established guidelines; drop-in visits are not permitted. All vendors are required to wear company-supplied name badges as confirmation of identification while in the facility. Vendor representatives who have business with physicians must also have approval from the appropriate department manager or director before they will be allowed access into the department.

Group Purchasing Affiliation

Aurora Health Care is a member of Premier, Inc. Premier discounts and contract numbers must be acknowledged on all quotations.

Corporate Acquisitions, Mergers, Affiliates

Aurora Health Care requests that vendors conducting business relationships with Aurora report any corporate acquisitions, mergers, or company name changes to the System Logistics Department to ensure a smooth transition when quoting, ordering, receiving and invoicing.

HIPAA/Business Associate Agreement

All vendors that are identified as “Business Associates” under the current HIPAA (Health Insurance Portability and Accountability Act) regulations will be required to enter into a blanket Business Associate Agreement with Aurora Health Care. It is required that Aurora’s standard Business Associates Agreement be used.

This confidentiality agreement is required to be signed by all vendors acknowledging that any information concerning the following will not be discussed or divulged to anyone under any circumstances other than to the extent needed to fulfill their work for the hospital. This includes but is not limited to patient identity, condition, care, treatment, or employment of hospital patients, hospital employees or medical staff, including but not limited to patient charts and records, and employee and medical staff records.

The confidentiality of patient and hospital records and contractual commitments shall be maintained. Vendor representatives are not allowed in patient care or restricted areas of Aurora facilities without prior approval from the department Director and/or Administration. Vendors shall be escorted by department personnel at all times while in a facility.

When appointments are scheduled with personnel in any of these areas, conversations and meetings should take place in designated offices, conference rooms, or break rooms away from patients and public areas.

Corporate Integrity Program/Code of Ethics

Aurora Health Care is committed to conducting its business and operations in accordance with the law and high standards of business ethics. Aurora requires all employees and other agents to comply with all laws and regulations to which Aurora is subject, including but not limited to all applicable HIPAA, Medicare, and Medicaid laws and regulations.

Aurora is committed to ensuring the accuracy of all documents that it files with the federal, state, or local government.

Aurora expects the undivided loyalty of its employees in the exercise of their job responsibilities. Activities that may create a conflict of interest or may give the appearance of a conflict of interest are to be avoided. An employee who has questions about whether or not his or her activities may create a conflict of interest is obligated to contact the Aurora Corporate Compliance Department.

All Aurora employees, contractors, and volunteers are expected to adhere to this Code of Ethics. Failure to do so will result in disciplinary action and/or termination of the business relationship.

If you have concerns that any billings, activities, or arrangements related to the delivery of health care services or items may be inappropriate, feel free to contact the Aurora Corporate Compliance Department of Aurora Health Care.

Required Information on All Quotations

Quotes submitted to Aurora must provide the following information (if applicable) in order to fulfill the requirements of Aurora's order management process:

- Vendor name
- Complete product description
- Product code
- Manufacture number
- Quantity
- FOB
- Payment terms
- Facility name
- Ship to address
- Price (include list price and discounted price)
- Unit of measure
- Sales representative's name and phone number
- Trade-in amount, if applicable
- Terms and conditions of the sale
- Warranty information
- Quote number or reference number
- Current date
- Expiration date
- Lead-time
- Email address
- GPO discounts and contract # (Premier)

Order confirmations, referencing purchase order numbers, are required for all capital equipment, supply and service orders.

Request for Proposals

The System Logistics Department is the only official authorizing department to solicit Request for Proposals (RFPs) for Aurora Health Care. Vendors may be contacted by Aurora personnel for individual quotation requests and/or clinical specifications in order to submit the appropriate documentation for consideration.

- **Proposal Commitment** – The release of an RFP does not imply any commitment on the part of Aurora to accept in part or in whole any proposal submitted.
- **Rejection of Proposals** – The vendor is cautioned that any submittal process which deviates from or contradicts the suggested format, does not include the level and detail of information requested, does not satisfy the timetable which has been established, may be disqualified from further consideration. The RFP requester reserves the right to reject, at any time, the proposal without providing justification to the vendor. The requester expressly reserves the right to refuse to discuss the evaluation criteria or the results of the evaluation.
- **Contact Limitation** – By submitting a proposal, the vendor agrees not to contact any of Aurora's employees during the bidding period without prior approval. Any vendor who fails to comply with this limitation may be eliminated from the selection process.
- **Quotation Pricing** – Quotations must include all fees and costs payable to the vendor. Such fees and costs shall include list price, percentage of discount, and net pricing by line item listed.

- **Contingency Orders** – Purchaser has the option to issue a purchase order based on certain contingencies. These contingencies may include approval by governing bodies and regulatory agencies, or the availability of funds as determined by internal budgetary controls. Any contingency will be stated clearly on the purchase order. If the purchase order must be withdrawn due to inability to remove any contingency, all monies paid by the purchaser shall be refunded by the vendor within 14 calendar days from date of formal notification by purchaser.
- **Compliance with Equipment Needs** – Each vendor is responsible for providing and quoting their top-of-the-line, state-of-the-art equipment at the time the quote is active, unless otherwise specified by the purchaser. Any equipment deemed necessary to ensure a workable system but not specified shall be included in the quotation and listed according to specific RFP guidelines.
- **Proposal Unbundling** – Aurora reserves the right to un-bundle the proposal and to seek separate bids for hardware and other components of the proposed system.

Contracting

All contracts signed by System Logistics will have purchase orders attached. System Logistics is the official department authorized to negotiate, implement contracts and execute those agreements with the proper signature authority. It is the vendor's responsibility to ensure that the purchase order number is referenced on all documentation associated with each transaction.

Equipment/Product Recalls

The Capital Equipment Services Department is responsible for providing coordination and timely notification to the various departments of equipment recalls and hazard alerts for capital equipment. This program monitors all **equipment recalls and hazard alerts** to ensure their timely implementation with a net result being a reduction in the risk of possible injury to patients and staff. It is the expectation that any capital equipment that qualifies under the recall alert would qualify for a loaner program, if applicable, until such alert has been rectified.

The Corporate Purchasing Department is responsible for providing coordination and timely notification to the various departments of all **product recalls**, including pharmaceuticals. It maintains all documentation, including written notifications, departments notified and subsequent action as required by the FDA and other governmental agencies.

Departmental Overview

The System Logistics Department consists of Corporate Purchasing, Capital Equipment Services, Pharmacy Logistics, and Distribution Services.

Mission

“Provide cost effective products, equipment, and services in the most efficient manner at the right time and place and in the quantities needed to provide better access, service, and results for our patients and other users of our services.”

Key Goals

- Provide a system-wide approach to effective and consistent purchasing processes
- Improve, expand, and centralize logistic services
- Provide quality products, equipment, and services based on well-defined requirements
- Reduce overall supply expense in relation to overall revenue
- Explore and make maximum use of E-commerce/Web-based technologies

Objectives

- Increase productivity
- Enhance and expand customer service
- Reduce product and service costs

The Corporate Purchasing Department is responsible for the procurement of non-capital goods and services. It serves as the primary liaison between Aurora departments and suppliers by soliciting competitive bids, negotiating, implementing and managing vendor agreements. It works closely with Aurora product committees and departments to obtain product standardization, operational efficiencies and supply cost reduction.

The Capital Equipment Services Department manages the procurement function for capital equipment, hardware/software, licensing agreements and service contracts within Aurora. Capital Equipment Services is responsible for contract management, accurate pricing, approving and obtaining appropriate approvals, negotiation, and ensuring compliance on terms and conditions of all capital purchases within Aurora Health Care.

The Pharmacy Logistics Department services pharmacies consisting of three unique types: traditional acute-care pharmacies, clinic pharmacies and either stand-alone or co-located retail pharmacies. Pharmacy Logistics is responsible for analysis, negotiation, planning, and contract oversight, and implementation of all pharmaceutical and front-of-store products, supplies and equipment. All vendor communication is conducted through this department and not directly with individual stores. Pharmacy Logistics is also the point of contact for Aurora’s hospitals and clinics with regard to their prescription purchases. There are more than 136 Aurora pharmacies conveniently located in neighborhoods, clinics, hospitals and local supermarkets.

The Distribution Services Department provides services (inventory management, storage, distribution and replenishment of goods and supplies, etc.) to customers (end users, physicians, and ultimately patients) in a timely and efficient manner so that the quality and profitability objectives of the total organization are achieved.

Corporate Purchasing Department

The Corporate Purchasing Department comprises a Director, Purchasing Manager of Acute Care (hospitals and surgery centers), Purchasing Manager of Alternative Care (clinics), a Contracts Manager, and a team of buying professionals who support Aurora departments by managing vendor agreements, processing purchase orders for non-capital supplies and services. It serves as the primary liaison between vendors and Aurora departments and is responsible for negotiating, implementing supply and service agreements, and standards.

Vendors are expected to inform Purchasing of their activities with Aurora departments and may not solicit business without prior approval. Verbal and/or written agreements are only valid if made by an officer of the company or the management of System Logistics/Corporate Purchasing Department.

Vendors are not permitted to seek out or solicit other vendors' prices from any Aurora employee. Aurora employees are instructed not to disclose vendor prices.

Vendors are also not permitted to interact with the buying staff without prior approval of the Corporate Purchasing Department's management. Unscheduled visits and unsolicited product samples are prohibited.

The Corporate Purchasing Department also serves as the primary liaison with Aurora's Group Purchasing Organization and actively participates on many of its executive and product committees.

Vendor Performance Expectations

- Provide product and/or service based on negotiated agreements
- Provide best pricing, terms, and rebates
- Provide proactive information regarding possible obstacles to agreements
- Provide current information on market trends within their industry
- Provide accurate, timely invoicing and credits
- Provide usage and cost reports by facility or region as requested
- Provide merchandising, sales, educational support through in-services and staff
- Provide an Account Manager or primary contact
- Correct all issues quickly and professionally to the mutual benefit of all parties
- Any alterations to an agreement must be requested through Corporate Purchasing

Receipt of Damaged or Defective Products

The Corporate Purchasing Department will notify vendors and/or manufacturers of damaged or defective products after receipt and inspection. Vendors are expected to immediately issue full credit or offer an acceptable, mutually agreed upon remedy (e.g., replacement products).

Product Returns

Vendors are expected to issue Return of Goods Authorization numbers (RGA #), accept or pick up product returns, and/or issue credit or offer an acceptable remedy within 30 days after notification. Vendors that do not handle product returns within this time frame risk losing business with Aurora Health Care.

Product Trials

A “product trial” is defined as an arrangement between the vendor and an authorized Aurora member to evaluate a product. Unless otherwise authorized, products provided for trials and related on-site education or educational materials will be at the vendor’s expense. Product trials do not in any way guarantee the award of business. Aurora reserves the right to alter or cease product trials, without further obligation, at its own discretion.

Capital Equipment Services Department

The Capital Equipment Services Department comprises the following departments: Capital Acquisitions, Building Projects, Capital Review and Technology, and Clinical Engineering.

Capital Acquisitions is responsible for monitoring capital procurement dollars, reviewing quotes for standardization initiatives, accuracy and completeness, negotiation, value analysis, contract review, vendor performance, and the order management function of all procurement activities related to capital equipment.

Building Projects provides pre-AFE budget development, project budget management, equipment planning and selection, installation, distribution and set-up of capital equipment associated with new building construction and major renovations.

Capital Review and Technology provides technology assessment, equipment evaluation, comparative analysis, and project consultation for capital purchases.

Clinical Engineering is responsible for ensuring the safe and proper use of patient care equipment for the protection of our patients and staff. This includes providing documentation and training when requested, providing timely recall and hazard alert information, and any other actions that help to maximize equipment uptime and minimize costs.

Capital Acquisitions

Electronic Quote Submission

Capital Equipment Services approves capital expenditures through an approval process known as the Authorization for Expenditure (AFE). The AFE is a web-based application where employees can submit AFE Requests on-line for approval and processing. A requirement for this application is the ability to attach electronic quotes to the AFE Request so that all of the information to approve the request is available on-line. **Therefore, it is important that all vendors presenting quotes to Aurora Health Care do so in an electronic format.** The vendor can send the quote in a Word, Excel, Access or PDF file to comply with this request. If the vendor does not have the capability of sending quotes electronically, please contact Capital Equipment Services to discuss alternative methods. Once an AFE has been given final approval, a Capital Equipment Specialist will begin processing the purchase order. This process can take up to two weeks to complete. Deliveries of supplies, equipment or service without a valid purchase order number is strictly prohibited. Failure to comply with any of the above information could result in non-payment and jeopardize future business with Aurora Health Care.

Supply/Equipment Surcharge Agreements

Only Capital Equipment Services authorized personnel can enter into supply/equipment surcharge agreements on behalf of Aurora. A complete economic feasibility study must be conducted prior to any commitment. Aurora's clinical staffs are not authorized to sign or approve these agreements. Vendors will not receive payment for consumables if the appropriate approvals are not obtained through Capital Equipment Services.

Equipment Loaners

Any capital equipment provided to Aurora on a temporary basis by a vendor because of broken equipment and/or delayed equipment orders are defined under the definition of "loaner" equipment. All capital equipment that meets the above criteria and will be used in a patient care setting must be authorized through the AFE procedure. The vendor has the responsibility to provide a current operator's manual and documentation, if applicable, verifying safe operation. Both must remain with the equipment at all times.

Equipment Demonstrations

Equipment demonstrations may be conducted in conjunction with the evaluation of capital equipment. An "equipment demonstration" is defined as an opportunity for a vendor to enter a facility for the purpose of "marketing or selling" their product based on an invitation by an authorized staff member. The vendor must remain with the equipment during this time. Aurora will not be responsible for any equipment left unattended by the vendor.

Capital Equipment Trials

An "equipment trial" is defined as an arrangement between the vendor and authorized staff member specifically to evaluate the vendor's equipment based on criteria previously set by the department for purchase consideration at a later date.

It is the policy of Aurora Health Care to monitor and control the introduction of patient-related capital equipment. Vendors must complete Aurora Health Care's "**Equipment Trial Evaluation Form**" prior to issuance of a "No Charge" purchase order. The completion of this form will ensure that all terms and conditions have been reviewed and agreed to prior to equipment trials being conducted in Aurora Health Care facilities.

This policy has been established to contain costs, establish and maintain equipment standardization, provide a tracking mechanism of equipment ownership through asset management, ensure the operational condition and electrical integrity of the equipment, liability protection for patients and staff, unauthorized billing or invoicing and vendor accountability.

All potential patient-related capital equipment for trial purposes, new or replacement, must be approved through the AFE procedure whereby the Clinical Engineering Department will be informed of the trial. The vendor has the responsibility to provide a current operator's manual and documentation verifying safe operation. Both must remain with the equipment at all times. The AFE will be forwarded and approved through the appropriate capital equipment process. The exception to the above process is capital equipment demonstrations whereby the vendor remains with the equipment at all times.

The following information is required for all equipment trials:

Equipment description, new or replacement equipment, FDA approved, type of request, length of trial, value of equipment, make, model, and serial # (if known) of the equipment. It is the vendor's responsibility to pick up trial equipment at the end of the specified trial. Aurora will not be responsible for trial equipment left on-site beyond the length stated for the trial evaluation. Storage charges will be assessed on equipment not removed within 14 days after the trial ends unless prior approval by Aurora has been granted.

If the trial is successful and the department is interested in purchasing the equipment, another AFE will need to be generated for the purchase.

Trial products and/or equipment cannot be used within Aurora Health Care facilities until the AFE has obtained final approval and meets all required guidelines. A "No Charge" purchase order will be issued to the vendor by Capital Equipment Services for all trial equipment. Any equipment under beta testing must meet Aurora Health Care IRB requirements.

End-of-Quarter Proposals

It is the vendor's responsibility to inform Capital Equipment Services of any quotations or proposals that reflect end-of-quarter pricing. The vendor must communicate the latest date pricing is valid and allow Capital Equipment Services the opportunity to obtain the appropriate authorizations and the time to issue purchase orders without jeopardizing the available pricing.

Capital Technology and Review

As a function of Capital Equipment Services, Capital Technology and Review works with Capital Acquisitions, Capital Projects, Aurora department managers and vendors to evaluate and recommend major medical equipment purchases (i.e., MRI, CT, IGS, PACS, Cardiac Cath, etc.). This process includes matching equipment and technology with identified clinical need, assessing “state-of-the-art” technology and comparative analysis of vendors. Capital Technology will also assist with project management, vendor negotiations and monitoring compliance with IDN agreements as needed. **All medical Capital Equipment must pass through this review prior to being purchased.**

Clinical Engineering

The Clinical Engineering Department is responsible for ensuring the safe and proper use of patient care technology in the most timely and cost effective manner. As such, we expect our vendors to be supportive of in-house service in all cases where we have determined in-house service to be appropriate. This includes providing documentation and training when requested, providing timely recall and hazard alert information, and any other actions that help to maximize equipment uptime and minimize our costs.

Vendors providing lease, rental, trial, and loaner or consigned equipment will ensure that their equipment is operable and safe for use. They are expected to comply with the AFE requirements, maintain service records and history on equipment, and be able to produce them upon request.

Vendor representatives are expected to comply with the system policy restricting cell phone use in posted areas.

Delivery, Installation and Acceptance of Capital Equipment

Delivery, Risk of Loss and Title

The vendor and its third-party suppliers shall bear the full risk of loss due to total or partial destruction of the equipment prior to delivery to Aurora. The vendor and its third-party suppliers shall also obtain and pay for insurance covering the loss or destruction of the equipment prior to delivery to Aurora. Title to each piece of equipment purchased by Aurora from the vendor shall pass to Aurora on delivery of the equipment to the location designated by Aurora in the quotation.

Installation

The equipment shall be installed and placed in good working order by the vendor during normal working hours on the delivery date, at no additional charge to Aurora. Time is of the essence with respect to delivery and installation of the equipment.

Documentation

At no additional charge to Aurora, the vendor shall provide Aurora with all documentation relating to the equipment. If the documentation for the equipment is revised or supplemented at any time, the vendor shall deliver a copy of such revised or supplemental documentation to Aurora within 10 days of its general availability, at no additional cost to Aurora. Notwithstanding the foregoing, after such documentation is provided to Aurora it may not be revised in a manner that would have a material adverse impact on the specifications (e.g., to remove material functionality). Aurora may, at any time, reproduce copies of all documentation and other materials provided by the vendor, distribute such copies to its users, and incorporate such copies into its own technical manuals, provided that such reproduction relates to Aurora's use of the equipment, and copyright notices, if any, are reproduced. To the maximum extent available, the vendor shall deliver the documentation in electronic form to Aurora.

Licenses and Permits

The vendor is responsible for obtaining all licenses and permits, required by applicable federal, state, or local laws or regulations, which the vendor or Aurora is required to have in order for the vendor (excluding construction permits) to perform its obligations, except as otherwise agreed to in writing by the parties. The vendor has financial responsibility for all fees and taxes associated with licenses and permits.

Installation and Acceptance Tests

Installation Tests

For devices that the vendor is responsible for installing, the vendor shall conduct installation tests in order to confirm that the equipment conforms to its specifications in all material respects. The vendor shall give Aurora notice of the installation tests at least 10 days before it is scheduled to commence. A designated representative of Aurora may observe the installation tests and verify the results, as Aurora deems necessary or appropriate. Upon satisfactory completion of the installation tests, the vendor shall deliver to Aurora a written certification of completion of the installation. Certification shall be sent to Aurora's Manager of Clinical Engineering and shall include a prominent (e.g., bold text) statement to the effect that "*Aurora has 10 days from its receipt of this vendor certification to complete its acceptance testing and provide notice of non-conformities to the vendor, or the equipment will be deemed 'Accepted.'*" After the vendor delivers the certification of completion of the installation, Aurora shall begin its testing and perform such tests as are reasonable and appropriate to determine whether equipment conforms to its specifications in all material respects (individually or collectively). Provided that the vendor's certification notice complies with the above requirements, Aurora shall have 10 business days from the date of its receipt to conduct its Acceptance Tests. If Aurora fails to issue either a Certificate of Acceptance or Notice of Failure within 10 business days, Aurora will be deemed to have accepted the equipment. However, acceptance will not affect any of Aurora's rights under the vendor's equipment warranty.

Failed Acceptance Testing

If Aurora makes a good faith determination that equipment has not successfully passed an Acceptance Test, Aurora shall promptly notify the vendor in writing of such failure, specifying with as much detail as possible the manner in which the equipment failed to pass the applicable Acceptance Test.

The vendor shall immediately commence all efforts to complete, as quickly as possible, such necessary corrections, repairs and modifications to the equipment as will permit the equipment to be ready for re-testing. The vendor understands and agrees that any and all efforts to repair or modify any equipment under this section shall be finished within 30 days following the vendor's receipt of the first Notice of Failure. Vendor shall notify Aurora when such corrections have been completed, and the Acceptance Tests shall begin again.

If, after Aurora completes the applicable Acceptance Test for a third time, and makes a good faith determination that the equipment again fails to pass the applicable Acceptance Test, Aurora shall promptly notify the vendor in writing. This notification shall specify Aurora's decision whether to afford the vendor the opportunity to repeat the correction and modification process (as described above). Depending on the nature and extent of the failure, and the parts of the equipment affected, Aurora may, in its sole judgement, terminate the relevant quotation as a non-curable default with respect to one or more pieces of equipment that are not performing as required. If the failure materially affects the function or use of the other equipment or services in the quotation, Aurora may terminate the entire quotation.

The above "correct and modify" procedure shall be repeated until the equipment, based on Aurora's good faith determination, passes the applicable Acceptance Test or Aurora elects one of the termination options described above. In the event of termination under this section, the vendor shall pay to Aurora, within 30 business days of written notice of termination, the following:

- All sums paid to vendor by Aurora for the equipment and services as to which the termination applies, and
- The sum equal to all of the out-of-pocket expenses incurred by Aurora in connection with such failed equipment and services.

Any reimbursement due to termination may be credited against other sums due and payable by Aurora to the vendor.

Acceptance

After Aurora has determined that the equipment has passed all applicable Acceptance Tests, Aurora shall issue a written Certificate of Acceptance and the equipment shall be considered "Accepted." Warranty will not begin until Acceptance has been established.

Service and Lease Agreements

The procurement of agreements and contracts to provide service, maintenance and/or leases for capital equipment will be performed by the Capital Equipment Services Department and must have an Aurora Health Care purchase order number.

Aurora's definition of a Service or Maintenance Contract is as follows:

"A negotiated contract related to service or support of a specific piece of capital equipment. The contract must be for a specific term (for example 12, 24, or 36 months), with a start and end date, and renewable at the end of the term. The contract may contain provisions for periodic scheduled maintenance of equipment and emergency callbacks to repair. Payments will be made during the term of the contract either monthly, quarterly, or annually."

Service and/or lease agreements include arrangements to provide repair, inspection and preventive maintenance to equipment and machines as well as provide management services or task-related services for Aurora Health Care. Lease arrangements, equipment rental agreements and programs that provide for the use of capital equipment are also in this definition. Leases are contractual obligations for a specific period of time with defined payment schedules.

Contract Renewal

A contract renewal is an agreement already in existence that is close to expiration.

If a contract is to be renewed, the Service Contracts & Lease Specialist will send a letter of notification to the vendor to obtain an updated contract proposal with pricing. The vendor will be required to submit their proposal directly to the Contract Specialist. All renewal documents must include the last known purchase order number.

1. Upon receipt of the vendor's proposal, the documents will be negotiated by CES.
2. All contracts will be assigned a new purchase order number upon acceptance of the proposal.
3. The signed documents and purchase order will be faxed to the vendor upon completion.
4. If a contract is **not renewed** or **terminated**, it will be the responsibility of CES to properly notify the vendor.

New Contract

A new contract is defined as any service or maintenance contract or agreement not currently listed in Capital Equipment Services contract database, regardless if equipment has been in service or is a new installation.

1. The responsible department contacts the vendor with specifications and requests that a formal written proposal be submitted to them, **preferably via email**.
2. After the department reviews the proposal and is satisfied it will meet the needs of Aurora, it should be forwarded to CES with a purchase requisition as soon as possible.
3. All new contracts will be assigned a purchase order number upon acceptance of the proposal.
4. The signed documents and purchase order will be faxed to the vendor upon completion.

Exchanges

- Any exchanges of equipment or accessories covered under a service or lease agreement must be presented in written or electronic format to Aurora, both from an asset management standpoint and the fact that the contracts typically reference serial numbers of covered equipment.

Time and Material Rate Changes

- Any change in time and material service rates not locked in by a contract (either IDN or annual maintenance) need to be submitted in written or electronic format to Aurora.

Pharmacy Logistics Department

Scheduling Appointments

Vendors are not to schedule appointments with store personnel without approval from Retail Pharmacy Corporate Purchasing.

Vendor Performance Expectations

- Provide product and/or service based on negotiated agreements
- Provide best pricing, terms, and rebates
- Provide proactive information regarding possible obstacles to agreements
- Provide current information on the market trends within their industry
- Provide accurate, timely invoicing, and credits
- Provide quarterly usage or spin reports by facility
- Provide merchandising, sales, and educational support through in-services and staff
- Provide a Corporate Account Manager
- Correct all issues quickly and professionally to the mutual benefit of all parties
- Any alterations to an agreement must be requested through the Corporate Office

Educational Sessions

- In-services must be approved and authorized by Pharmacy Management through Corporate Purchasing
- In-services must be scheduled to accommodate the least disruption of the retail pharmacies' personnel and operating hours

Gifts and Gratuities

- Vendors may receive requests for product or gifts as needed for Open Houses, Grand Openings, prize drawings, etc.
- Vendors may receive requests for products to support promotions or sampling programs

Violation of Policies

- Soliciting of any product or service not previously approved
- Soliciting of any vendor not previously approved
- Discussions with store personnel about dissatisfaction with decisions made at the corporate level of Aurora

Bids

Bids must include the following:

- Vendor name, address, and phone number
- Contact name, phone, and email address
- Description of products being quoted
- Freight policy
- Payment terms
- Price
- Corporate discount
- Minimums
- Rebates/allowances
- Buybacks
- Guarantees
- Suggested retails
- Catalogs with distribution plan
- Sales proposal
- POP material
- Sampling program
- Planograms
- Current date
- Proposed length of agreement
- Lead time

Aurora Pharmacy Approved Vendors

- All pharmacy agreements are created and approved through Corporate Purchasing
- The vendor must be approved by Corporate Purchasing prior to selling a product to an Aurora Pharmacy
- A bid approval is not a guarantee of sales volume, unless the agreement specifically states such information
- Store personnel are not authorized to approve vendors
- All product purchasing is conducted at the store level
- Purchase orders are not used by the retail pharmacies
- Invoices and credits must be sent directly to the retail pharmacy for payment

Tests, Trials and Sampling

- Products tested in our stores must be approved by Retail Pharmacy Corporate Purchasing
- Product trials must be presented at “no charge” to the retail pharmacy
- Sample products must be at “no charge” to our retail pharmacy or customers
- If a product is deemed as acceptable, the vendor must submit an appropriate bid

Invoicing

- Invoices must be approved by the chief pharmacist or designated Corporate Purchasing personnel
- Invoices must contain the store name “Aurora Pharmacy, Inc.” and the store number

Distribution Services Department

Aurora Health Care receiving docks accept deliveries between the hours of 7:00 a.m. and 3:00 p.m. Special arrangements can be made for deliveries outside of these times by contacting the appropriate receiving dock.

- Deliveries of supplies or equipment will not be accepted unless an approved purchase order exists.
- Deliveries will be accepted only at the address stated on the purchase order.
- All shipments must have an appropriate packing list attached to the outside of the box/carton in which the order is placed. The packing list should clearly list the Aurora purchase order.
- All deliveries must be made through the appropriate receiving dock. If, for unusual or unforeseen circumstances, a shipment is taken directly to an ordering department by the vendor, the appropriate receiving dock personnel should be notified by the vendor, who must provide “proof of delivery” documents, including packing lists, to the receiving dock personnel.
- Equipment that is considered “sensitive” in nature and/or that requires special handling should be removed from the delivery vehicle and unpacked/uncrated by qualified vendor staff.
- All supplies for in-services or staff training must be provided by the vendor. Supplies will not be provided out of inventory for this purpose.
- If damage is noted, the receiving attendant will write the type of damage on the freight bill and have the driver sign the freight bill acknowledging the damage. We then keep a copy of the freight bill for our records. (Photocopy the original, if necessary.) The attending coordinator will make the determination to refuse or accept the delivery.
- Only deliveries with the appropriate address should be accepted. Any other address should be brought to the attention of the coordinator, who will determine whether the shipment should be accepted or refused.
- Items will be rejected if they have no documentation to properly process the delivery of the item to validate receipt of the supply, product or equipment shipped to Aurora.
- Vendors who choose to have items sent from the Aurora receiving dock back to their company (for demos, trials, etc.) will be required to have proper documentation that identifies a name and phone number of: an Aurora contact person, a vendor contact person, the staging time of the product or the staging time of the freight carton, case, box or container needed to properly return the product to the vendor. Also, any special instructions, tools or appliances that are needed to uncrate/crate and store/return the product should be included in the accompanying documentation of the product at the time of delivery.

- Items without a purchase order number will not be accepted if proper documentation does not accompany the supply, good or equipment at the time of delivery. This includes but is not limited to vendor-delivered products, software downloads and equipment repairs.

All material received into the receiving department is to have a receiving document processed prior to delivery to the ordering department. There should be no exceptions.

Accounts Payable Department

The following policies are currently in effect for Aurora Health Care:

Invoice Payment

- **All invoices received by Accounts Payable must have a valid purchase order number.** The Aurora Health Care policy is that equipment and service requests are to be ordered with a purchase order number assigned by an authorized purchasing employee. Please ensure that the invoice correctly reflects the delivery location to assist in “tracking purposes.”
- Aurora pays by specific invoice and does not make payments “on account.” Cash received should not be applied to a running balance or applied to the oldest invoice.
- When appropriate, payments from statements will be for current charges only. Aurora does not pay a “balance forward” or “running balance.”
- Individual deductions will be recorded as a separate transaction and will appear as an individual entry on the remittance.
- Aurora does not use credits to pay invoices. Credits will be deducted as a separate transaction.
- Vendors do not have the authority to apply credits to open invoices or other outstanding future charges. All change orders associated with issued purchase orders must receive approval from the authorized end user before any change in price will occur.
- Aurora does not make prepayments other than for deposits made as part of a purchase agreement or “custom” orders.

Open Invoices

Any “open” invoices that exceed 12 months from the first date issued will be considered closed and no further activity will be conducted.

Reporting of Errors, Duplications, Overpayments

Any cash application should be applied as indicated on the remittance. We ask your cooperation in immediately informing us of any duplicate payments, overpayments, unclaimed credits that Aurora has not utilized, or any cash application problems you may have.

Requirement of Purchase Orders

It is the policy of System Logistics and Accounts Payable that a purchase order number be issued for all capital equipment, service agreements, products and leases prior to delivery or work being performed. **Failure by a vendor representative to obtain an authorized purchase order number for these transactions, prior to delivery and invoicing, will not obligate Aurora for payment of such items or services.** These invoices will automatically be in disputed status, with Aurora being entitled to take advantage of all prompt pay discounting. This purchase order number authorizes Accounts Payable to pay for the received items or services rendered per the negotiated terms and conditions, pricing, quantities, items listed on invoice, and a receipt has been verified per Aurora's internal process.

Accounts Payable will not pay for goods and services invoiced without a valid purchase order, even if the invoice states a "verbal" commitment from an employee was received. In these cases, Aurora Health Care will be pleased to accept the product as a donation unless the vendor makes arrangements to have the merchandise returned at their expense.

Modifications to Existing Purchase Orders

Any modifications to a purchase order will not be accepted without an amendment to the original purchase order. Capital Equipment Services will not modify a purchase order without the written consent of the AFE owner and financial director for the particular region.

Account Information Web Site

Accounts Payable provides access to a web site for vendors inquiring about payment status. It is imperative that vendors do not fax invoices or contact the Accounts Payable Department inquiring about payment status of invoices less than 60 days past invoice date. An Accounts Payable lead representative can assist vendors with instruction on how to access account information.

Credit Applications

Aurora Health Care provides complete, pre-printed credit applications for all affiliates that contain sufficient information for establishing an account. Aurora will not complete a vendor's credit application.

(See the *Pharmacy Logistics* section for exceptions to the above information regarding order placement and Accounts Payable processing, as purchase orders are not used by the retail pharmacies.)

