



August 5, 2002

The Honorable Herb Kohl
Chairman
Subcommittee on Antitrust, Competition and Business and Consumer Rights
SH-308 Hart Senate Office Building
Washington, DC 20510

The Honorable Mike DeWine
Ranking Minority Member
Subcommittee on Antitrust, Competition and Business and Consumer Rights
SD-161 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Kohl and DeWine

As a leader in our industry, Premier's group purchasing organization, Premier Purchasing Partners, has committed itself to provide exceptional value to our not-for-profit member hospitals and the patients they serve while adhering to the highest ethical standards.

Since your Subcommittee's April 30 hearing, Premier Purchasing Partners has worked with the Health Industry Group Purchasing Association (HIGPA) and its member organizations to develop the Code of Conduct for the healthcare group purchasing industry which HIGPA presented to you last week. Premier Purchasing Partners wholeheartedly supports the Code and our Board of Directors has endorsed it for use by our organization.

The Code of Conduct is an important step that underscores the commitment of the healthcare group purchasing industry to help healthcare providers deliver the best in quality healthcare at a reasonable cost, and to do so in a way that is ethical and fair to all participants in the healthcare marketplace. As you know, some of the issues raised by you and other members of the Subcommittee cannot be addressed by an industry Code of Conduct. (HIGPA's legal counsel has advised that these issues may only be addressed by GPOs individually). Premier Purchasing Partners has given these issues thorough consideration and, with the approval of our Board, we have adopted a number of important principles to guide Premier Purchasing Partners' operations in the future that go beyond those appropriate to the industry Code. We commit to abide by these principles in addition to those contained in the Industry Code. These principles are:

1. No group purchasing administrative fees in excess of 3%. Vendor participation in any additional services for which fees may be charged (such as trade shows, periodical

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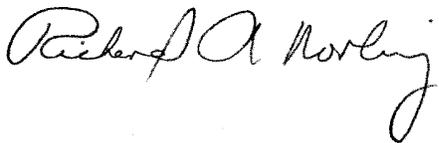
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advertising and data services) shall be entirely voluntary and a vendor's participation (or non-participation) shall have no bearing upon GPO contracting decisions;

2. No "up-front" administrative fees;
3. No marketing fees;
4. No administrative fees in the form of vendor equity;
5. No private label programs;
6. No vendor or public ownership in Premier Purchasing Partners;
7. No "bundling" of products across different vendors;
8. Operation of technology breakthrough and technology assessment programs that are fair, timely, confidential and unbiased, with an opportunity for review of decisions;
9. All future contracts for Physician Preference Products¹ based on the following:
 - a. Multi-source contracting;
 - b. No GPO commitment levels; and
 - c. No "bundling" with unrelated products;
10. Contract terms of 3 years or less (subject to modification should economic conditions require longer term agreements in the best interests of our hospital members);
11. Application of the conflict of interest standards of the Industry Code to all management level GPO employees, not just those "in a position to influence contracting decisions";
12. Oversight by a compliance officer who will report to the Audit Committee of the Board and an annual public report of Premier Purchasing Partners' performance under the Code and these additional principles; and
13. In implementing the Industry Code, Premier Purchasing Partners will extend the provisions contained in Section I.B.3. to Participating Vendors of all medical products or services.

We greatly appreciate the leadership and support that you and the other members of the Subcommittee have demonstrated during this process.

Sincerely yours,



Richard A. Norling
Chairman and CEO
Premier, Inc.



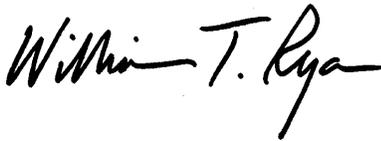
Howard Sanders
Senior Vice President
Premier Purchasing Partners, L.P.

¹ Physician Preference Products cover those areas where physicians have a strong preference and a significant influence regarding the type of products used. Examples of physician preference products are implantables (pacemakers, stents, defibrillators, and orthopedic products), pulse oximetry products, specialty catheters, custom sterile procedure trays, wound closure, specialty urological products, and interventional radiology and cardiology products. Member committees will make the determination as to whether a particular product is a Physician Preference Product. Such committees are composed exclusively of clinicians and representatives of hospital members.

We, the undersigned organizations whose members utilize the group purchasing services of Premier Purchasing Partners, endorse and subscribe to the principles set forth in this letter.



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(a subsidiary of the Greater New York Hospital Association)



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