

Novation Contract Summary

NONACUTE DISTRIBUTION

ND0012-2014

McKesson Medical-Surgical Inc. Nonacute Medical-Surgical and Pharmacy Distribution (Nonbid)

- Medical
- Surgical
- Pharmaceutical Products
- Vaccine Products

Distributors awarded in this category include: McKesson (ND0012-2014) Gulf South (ND0031-2014), PSS (ND0032-2014), Moore Medical (ND0033-2014), McKesson Minnesota (ND0034-2014), Cardinal (ND0011), Independence Medical (ND0015), Home Healthcare Solutions (ND0016), Medical Specialties Distributors (ND0017), Kreisers (ND0018), Gulf South (ND0019), Henry Schein (ND60120) and Medline (ND60130).

These replace agreements ND60036B with Moore Medical, ND60036A with McKesson Minnesota, ND60021 with PSS, ND60022 with Cardinal, ND60043 with Independence Medical, ND60054 with Home Healthcare Solutions, ND60041 with Medical Specialties Distributors, ND60024 with Kreisers and ND60042 with Gulf South.

Please note: This agreement was not awarded through Novation's competitive contracting process. You may wish to consider, under these circumstances, whether it qualifies under your institution's competitive contracting mandates.

EFFECTIVE DATE AND TERM

May 1, 2014

Initial term is five years; up to two one-year extension options may be exercised at Novation's discretion.

PRICING STRUCTURE

Pricing for all classes of trade is locally negotiated

CONTACTS

Novation Customer Service — NOVCustomerService@novationco.com

- for contract support — 888.7.NOVATE (766.8283)
- for Marketplace|Procure support — 866.MARKET.5

Supplier Customer Service

- 800.446.3008

QUICK ACCESS:

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ENROLLMENT FORM

AD Selection Form required for all members

KEY AUDIENCES

Materials Management
Surgical Services
Home Health
Pharmacy

CLASSES OF TRADE

Ambulatory Care
Long-Term Care
Home Health Care
Physician Offices/Clinics

Novation

VALUE AND PRICING SUMMARY

DEMONSTRATED VALUE *Financial Value*

Pricing for all classes of trade is locally negotiated under this agreement.

Member Access to Agreement

Distributor shall not restrict any member's ability to purchase any of the products or services from or through distributor pursuant to this agreement based on such member's primary group purchasing organization designation. Distributor agrees that all members identified in the Novation database shall be deemed to have designated Novation as their respective primary GPO for all products and services available hereunder.

PRICING STRUCTURE

The locally negotiated cost-plus matrix within this contract summary is effective May 1, 2014. There is no specific product pricing for this agreement. Pricing for all classes of trade is locally negotiated under this agreement.

SHIPPING TERMS

Shipping terms listed below.

- Terms of sale by F.O.B. point: destination
- Freight cost borne by: seller
- Freight payment method: prepaid and absorbed

PAYMENT TERMS

1. Member payment terms shall apply to the extent a member has not agreed to other terms and conditions with distributor.
2. For all payment plans, the funds must be received by the distributor at the designated remittance address on or before the dates due. Payments due on a Saturday shall be due on the preceding Friday. Payments due on a Sunday shall be due on the following Monday. Payments due on a holiday shall be due on the preceding business day except when the holiday falls on a Monday. In that instance, payments shall be due on the following business day.
3. Electronic Payment. Members are encouraged to remit amounts due to distributor using electronic funds transfer (EFT) or other acceptable electronic method. Subject to distributor's general credit policies, members may elect an alternate payment and billing method by providing written notice thereof to the distributor within 10 business days of receipt from the distributor of the quarterly review process.
4. Late payment penalties. Any service charges on past due amounts shall accrue only on the unpaid balance at a daily rate equal to 0.05% (equivalent to 18% APR) or the maximum allowed by law, whichever is less.
 - a. Disputed Invoices. Should a member dispute an invoice, member may report the issue to distributor within 30 business days of invoice date. Distributor shall promptly research the disputed invoice and member and distributor shall use good faith to resolve the dispute. Disputed invoices are not subject to late fees or penalties during the resolution of the dispute. Upon resolution of such dispute, late fees or penalties applicable may be applied if member was not justified in disputing the applicable item(s) on invoice.
 - b. Should a member have excessive late payment history or a substantial past due balance, distributor shall notify Novation and such member in writing of the problem prior to distributor removing member's credit privileges. If distributor rescinds member's credit privileges, the member shall be entitled to continue to purchase products and services from distributor on a C.O.D. basis.
 - c. Set-Off. Distributor shall set off any amount owing at any time from a member against any amount payable at any time by distributor to such member (i.e., credits-on-account as set forth in the agreement shall be deducted from amounts due before calculating any late payment penalties owed by the member).

5. The following payment terms shall be made available to members so long as justified under distributor's general credit policies.
 - a. **REGULAR PAYMENT TERMS.** Extended payment terms beyond these stated terms (e.g., 60- or 90-day terms) are negotiated between the member and distributor, and distributor shall disclose the terms to Novation in the monthly reporting process.
 - i. **NEXT DAY PAY.** Member shall pay distributor by wire transfer or electronic funds transfer (EFT) no later than the business day following each invoice date and shall provide Distributor with a wire transfer confirmation number by 1 p.m. on each such due date.
 - ii. **7-DAY INVOICE PAYMENT.** Invoices are each due seven days from their invoice date.
 - iii. **WEEKLY STATEMENT PAYMENT.** Purchases invoiced Monday through Sunday are due on the following Friday. To qualify for weekly statement payment terms, members must pay distributor via EFT.
 - iv. **15-DAY INVOICE PAYMENT.** Invoices are each due 15 days from their invoice date.
 - v. **SEMI-MONTHLY STATEMENT PAYMENT.** Purchases invoiced from the first day through the 15th day of the month are due the 25th day of the month. Purchases invoiced from the 16th through the end of the month are due on the 10th of the following month. Distributor shall promptly issue a statement to member after the close of each billing period.
 - vi. **30-DAY INVOICE PAYMENT.** Invoices are each due 30 days from their invoice date.
 - vii. **MONTHLY STATEMENT PAYMENT.** Purchases invoiced from the first through the end of the month are due the 10th of the following month. Distributor shall promptly issue a statement to member after the close of each billing period.
 - viii. **45-DAY INVOICE PAYMENT.** Invoices are each due 45 days from their invoice date.
 - ix. **45-DAY STATEMENT PAYMENT.** Purchases invoiced from the first of the month through the 15th of the following month are due the 25th of the following month. Purchases invoiced from the 16th of the following month through the end of the following month are due on the 10th of the month subsequent to the following month. Distributor shall promptly issue a statement to member after the close of each billing period.
 - b. **PRE-PAYMENT TERMS.** After making the respective pre-payment deposit, member shall pay invoices per the semi-monthly statement payment terms described in this exhibit.
 - i. **45-DAY PRE-PAY:** Five business days prior to receiving the member markup associated with this payment term, member shall provide to distributor a pre-pay deposit for an estimated six weeks' purchases.
 - ii. **30-DAY PRE-PAY:** Five business days prior to receiving the member markup associated with this payment term, member shall provide to distributor a pre-pay deposit for an estimated one month's purchases.
 - iii. **15-DAY PRE-PAY:** Five business days prior to receiving the member markup associated with this payment term, member shall provide to distributor a pre-pay deposit for an estimated two weeks' purchases.
 - iv. **7-DAY PRE-PAY:** Five business days prior to receiving the member markup associated with this payment term, member shall provide to distributor a pre-pay deposit for an estimated one week's purchases.
 - c. **ADJUSTMENTS TO THE PRE-PAYMENT DEPOSIT.** At the conclusion of each calendar quarter, distributor shall evaluate the member's pre-pay deposit and compare the deposit to the member's average preceding three month's purchases.

- i. should member's actual average purchase volume exceed the deposit amount, distributor shall provide member with the documented calculation and also invoice member for the difference needed to align the deposit amount with the actual average purchase volume. Such pre-pay deposit invoice amount shall be paid to distributor no later than 15 days from the invoice date.
- ii. Should member's actual average purchase volume be less than the deposit amount, distributor shall provide member with the documented calculation and adjust the deposit by issuing a credit-on-account to member or check to member (as determined by such member) needed to align the deposit amount with the actual average purchase volume.

ACTIVATE

ENROLLMENT FORM This agreement requires an AD Selection Form

STEPS FOR IMPLEMENTATION

1. Review the distribution options available for your geographic area and make your distributor selection.
2. Sign and fax Nonacute AD Selection Form to the number listed on the form.
3. Work with your local McKesson Medical Surgical Inc. sales representative and/or your account executive to ensure the appropriate letters of participation/commitment forms for each supplier agreement are signed/processed in order to gain access to the appropriate Novation contract pricing tier.
4. It is not necessary to complete a new Nonacute AD Selection Form if you were previously using McKesson Medical Surgical Inc. under agreement ND60036. All active members will be rolled over automatically to McKesson's Medical Surgical's new nonacute care distribution agreement ND0012.

CONTRACTING PROCESS SUMMARY

SELECTION PROCESS/ MEMBER INPUT Some nonacute Authorized Distributors are unable to access all Novation-contracted product categories that their customers want to order. Novation negotiated this nonbid agreement with McKesson Medical Surgical Inc. to meet member needs for a full-line nonacute distributor.

McKesson Medical Surgical Inc. offers its customers full access to all medical-surgical and pharmaceutical products on Novation contract, including vaccines.

Because this agreement was not awarded through Novation's competitive contracting process, you may wish to consider whether it qualifies under your institution's competitive contracting mandates.

SUPPLIER SUMMARY

BUSINESS ADDRESS

McKesson Medical Surgical Inc.
8741 Landmark Road
Richmond, VA 23228
www.mckesson.com

SUPPLIER DISASTER PLAN

“McKesson Medical Surgical’s crisis management team has overall responsibility to control any incident that affects business operations, key processes, systems and/or all other supporting business functions. It is important to note that not all incidents are considered disasters. Problems that can be detected and repaired within the recovery time objectives established by the affected service lines and support services, without affecting the day-to-day working facilities of the company’s employees, are considered incidents that do not require implementation of the business continuity plan.

“A disaster is defined as any potential situation that causes a cessation of normal business functions for an unacceptable period of time, i.e., exceeds the recovery time objectives and requires the implementation of special procedures by the recovery teams.”

Source: Supplier

AWARDED SUPPLIER PROFILE

“McKesson took roots in the earliest days of the U.S. — when organized health care in America was just taking shape. Over the past 180-plus years, McKesson has played a fundamental role in helping to shape the design and direction of health care: helping to set standards for the health care supply chain and playing a large role in our industry’s technology revolution.

“McKesson is ranked 14th on the Fortune 500 with more than \$123 billion in annual revenue. The company delivers vital medicines, medical supplies and health care information technology solutions that touch the lives of patients in every health care setting. McKesson is committed to creating a health care system that leads to lower costs, fewer mistakes, higher quality and better health for all.”

Source: Supplier

ABOUT NOVATION

Based in Irving, Texas, Novation serves as the supply contracting company to more than 65,000 members of VHA, UHC, Children's Hospital Association and Provista LLC — acute as well as nonacute — to help them manage and reduce supply costs.

Novation delivers unmatched supply savings and value through its extensive suite of contracting services, including contract development and management, supply chain performance tools, and data and supply industry advocacy.

Novation has the broadest, most comprehensive contract portfolio in the industry, maintaining agreements with more than 600 suppliers and distributors to provide exceptional choice and value. These agreements encompass nearly 90 percent of the products and services that health care organizations purchase.

By applying data-driven contracting decisions in daily operations, Novation can define, monitor and enforce pricing on members' behalf throughout all phases of a contract's life cycle using price management strategies that focus on contract and supplier performance. The result is that members receive access to market-leading pricing and suppliers receive volume and commitment in return for their collaborative efforts.

To ensure that we're meeting the needs of those we serve, Novation employs a high-integrity, competitive contract process that follows the principles of the American Bar Association's Model Procurement Code and involves participating member organizations to the greatest practical degree. Novation gathers member input through various member councils and task forces, as well as market research surveys.

UNIQUE VALUE OF NOVATION'S PROCUREMENT PROCESS

Many group purchasing organizations claim to offer the best pricing. But purchasing through Novation contracts ensures that members receive the best pricing and terms possible on the highest-quality products in the market. Novation ensures best price in a number of ways, such as:

- conducting competitive procurements to optimize financial value
- enforcing market-competitive contract clauses
- conducting audits on contracted suppliers
- tracking market information and industry trends
- conducting proactive pricing assessments on top line items
- resolving pricing variances

Novation regards contract information as proprietary and confidential. We have attempted to balance the members' needs for contract information by providing in this document a summary of the members' affirmative obligations under this particular contract.

If a member has specific needs beyond this summary, Novation is prepared to work with the member to address these needs. The member should contact the Novation portfolio executive for this agreement to initiate such a request.