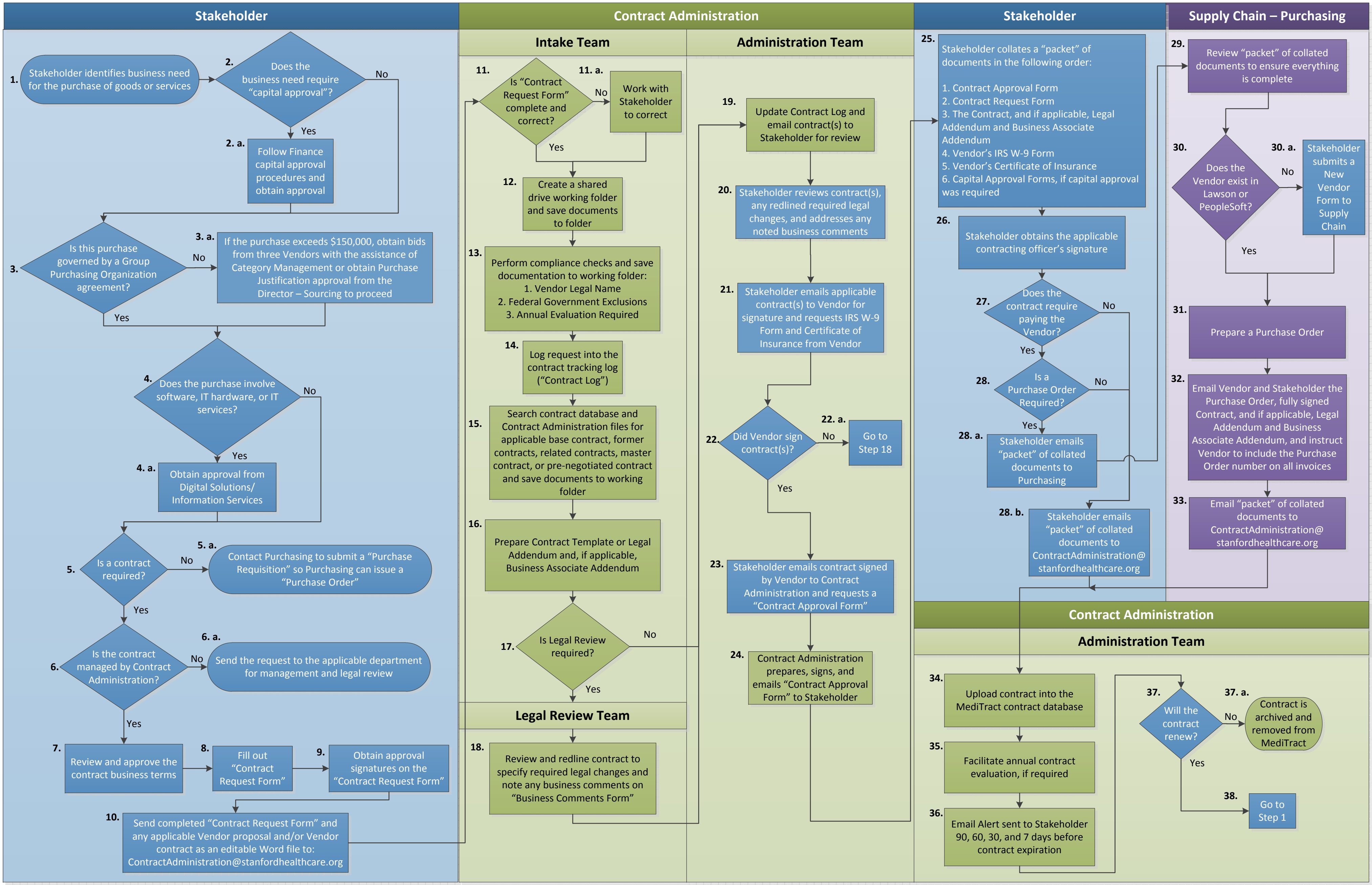
Stanford HEALTH CARE Contract Administration

Contract Administration is a shared service for the following legal entities: 1) Stanford Health Care; 2) Lucile Salter Packard Children's Hospital at Stanford *("Lucile Packard Children's Hospital" or "Stanford Children's Health")*; 3) The Hospital Committee for the Livermore-Pleasanton Areas *("Stanford Health Care – ValleyCare")*; 4) Stanford University Medical Network Risk Authority, LLC *("The Risk Authority")*; 5) University HealthCare Alliance; 6) Packard Children's Health Alliance; 7) Stanford Health Care Advantage; 8) Stanford Blood Center, LLC; 9) CareCounsel, LLC

Contract Flow Chart

Description: This Contract Flow Chart depicts the steps involved in requesting, negotiating, drafting, reviewing, paying, and managing contracts following the four phases of the Stanford Health Care - Contract Administration contract lifecycle. This flow chart is organized into columns that depict the owner of each stage and is color coded to depict the responsible party of each step in the process. Definitions for specific steps are noted on the following pages.



Legend: Stakeholder | Contract Administration | Supply Chain - Purchasing

Last Updated: 3.21.17

Contract Flow Chart Definitions

Step 2. Does the business need require "capital approval"?

- Contact the applicable entity Finance department for information regarding the applicable capital policies and procedures for capital approval.
- Capital approval is required when purchasing a "capital asset," which generally involves property, plant, and equipment where:
    1. The depreciable value is over Five Thousand Dollars ($5,000.00) for Stanford Health Care or Two Thousand Five Hundred Dollars ($2,500.00) for Lucile Salter Packard Children's Hospital at Stanford; and
    2. The depreciable life is over two (2) years.

Step 3. and 3. a. Is this purchase governed by a Group Purchasing Organization agreement?

- A Group Purchasing Organization ("GPO") is an entity that uses the purchasing power and leverage of a group of businesses to obtain discounts from vendors based upon the collective buying power of the GPO members. Below is a table listing the various entities and their corresponding GPO's. To determine whether a Vendor has an agreement with a GPO, either ask the Vendor to verify or contact Category Management by emailing: DL-CategoryMGMT@stanfordhealthcare.org.

Legal Entity	Member of the Following GPO
Stanford Health Care	Vizient
Lucile Salter Packard Children's Hospital at Stanford *("Lucile Packard Children's Hospital" or "Stanford Children's Health")*	Vizient, Children's Hospital Association
The Hospital Committee for the Livermore-Pleasanton Areas *("Stanford Health Care – ValleyCare")*	Vizient
Stanford University Medical Network Risk Authority, LLC *("The Risk Authority")*	None
University HealthCare Alliance	Vizient, International Oncology Network
Packard Children's Health Alliance	Vizient, Children's Hospital Association
Stanford Health Care Advantage	None
Stanford Blood Center, LLC	Blood Centers of America
CareCounsel, LLC	None

Step 4. a. Obtain approval from Digital Solutions/Information Services

- For an entity associated with Lucile Salter Packard Children's Hospital at Stanford ("Lucile Packard Children's Hospital" or "Stanford Children's Health"), contact Rey Tria, Information Services at retria@stanfordchildrens.org.
- For an entity associated with Stanford Health Care, contact Friend Doctor, Digital Solutions at fdoctor@stanfordhealthcare.org.

Step 5. Is a contract required?

- A contract is required if any one of the following statements is true:
    1. A Vendor presents a legal or contractual document to sign.
    2. A Vendor includes terms and conditions on a quote, proposal, estimate, or invoice for the purchase of services.
    3. A Vendor is providing services on the entity's premises.
    4. A Vendor will be paid more than One Hundred Fifty Thousand Dollars ($150,000.00).
    5. A Vendor is considered a "referral source" and is providing services to, receiving services from, issuing payment to, or requesting payment from an entity.
        a. A "referral source" is a physician (a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor), physician group, hospital, ambulance service, managed care organization, nursing facility, laboratory, non-physician health care provider or other person or organization that refers patients to an entity, or to which an entity refers patients.
    6. A Vendor will have access to internal Protected Health Information ("PHI"), data or the Digital Solutions/Information Services networks.

Step 6. and 6. a. Is the contract managed by Contract Administration?

- Contract Administration is responsible for managing contracts for the following nine entities:
    1. Stanford Health Care
    2. Lucile Salter Packard Children's Hospital at Stanford
("Lucile Packard Children's Hospital" or "Stanford Children's Health")
    3. The Hospital Committee for the Livermore-Pleasanton Areas
("Stanford Health Care – ValleyCare")
    4. Stanford University Medical Network Risk Authority, LLC
("The Risk Authority")
    5. University HealthCare Alliance
    6. Packard Children's Health Alliance
    7. Stanford Health Care Advantage
    8. Stanford Blood Center, LLC
    9. CareCounsel, LLC
- Contract Administration does not manage contracts that involve a "referral source" (as outlined in the chart below); the purchase or lease of real property (i.e., real estate); planning, design and construction of new buildings; or Stanford Health Care related entities contracting for software, hosted computing, or IT hardware. Refer to the table below for a listing of departments responsible for management and legal review of contracts that are not managed by Contract Administration:

Contract Involves	Applicable Department Responsible for Management and Legal Review
A "referral source" which is defined as a physician (a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor) or physician group, hospital, ambulance service, managed care organization, nursing facility, laboratory, non-physician health care provider or other person or organization that refers patients to an entity or to which an entity refers patients.	For contracts where the entity is The Hospital Committee for the Livermore-Pleasanton Areas ("**Stanford Health Care – ValleyCare**"): Doreen Maples, Vice President – Quality/Compliance, dmaples@stanfordhealthcare.org and Alice Ho, Counsel, alice.ho@stanford.edu For contracts where the entity is **University HealthCare Alliance**: Alice Ho, Counsel, alice.ho@stanford.edu For contracts where the entity is **Packard Children's Health Alliance**: Lisa Carr, Counsel, licarr@stanford.edu **All other entities**: Sarah DiBoise, Chief Hospital Counsel, sdiboise@stanford.edu
Purchase or lease of real property (i.e., real estate).	Meredith Fondahl, Administrative Director of Real Estate, MFondahl@stanfordhealthcare.org
Planning, design and construction of new buildings.	Matt Pearson, Administrative Director – Planning, Design & Construction, MaPearson@stanfordhealthcare.org
Software, hosted computing, or IT hardware for the following legal entities: 1. Stanford Health Care 2. The Hospital Committee for the Livermore-Pleasanton Areas ("Stanford Health Care – ValleyCare") 3. Stanford Blood Center, LLC 4. CareCounsel, LLC 5. University HealthCare Alliance 6. Stanford Health Care Advantage	David Kizner, Senior University Counsel, DKizner@stanfordhealthcare.org or dkizner@stanford.edu

Step 7 Review and approve the contract business terms

- The following table of business terms are approved by stakeholders in the "Business Review" phase of the contract lifecycle. The subsequent descriptions provide an explanation of each business term. It is the stakeholder's responsibility to review and approve the business terms before signing the contract.

<table>
<tr><th>Business Term</th><th>Business Term Descriptions</th></tr>
<tr><td>1. Parties to the Contract</td><td>a. If the stakeholder is involved with a shared service organization that supports multiple entities (e.g., Supply Chain), the stakeholder should review and confirm that all entities that will procure under the contract are listed as parties to the contract. Possible entities include:
i. Stanford Health Care
ii. Lucile Salter Packard Children's Hospital at Stanford
iii. The Hospital Committee for the Livermore-Pleasanton Areas d/b/a Stanford Health Care – ValleyCare
iv. Stanford University Medical Network Risk Authority, LLC d/b/a The Risk Authority
v. University HealthCare Alliance
vi. Packard Children's Health Alliance
vii. Stanford Health Care Advantage
viii. Stanford Blood Center, LLC
ix. CareCounsel, LLC</td></tr>
<tr><td>2. Internal Contact Person</td><td>a. For a statement of work, is there is an internal point of contact ("POC", e.g., a project manager or technical representative) whom you want to name and designate for the Vendor to contact about coordinating the services?</td></tr>
</table>

Business Term	Business Term Descriptions
3. Contract Subject Matter	a. Goods or services to be purchased i. Are the products (such as medical equipment or supplies) or services (such as consulting services) to be purchased under the contract described completely and correctly? ii. For contracts involving both goods and services, pricing of goods and services should be provided separately (except for installation that is bundled with a product purchase). b. Scope of services i. Contracts and statements of work should clearly state in detail the services to be performed. The contract or statement of work should explain: what the Vendor is responsible for and what the Vendor must accomplish. ii. For project-based work (e.g., consulting), list any applicable deliverables and/or milestones and corresponding deadlines or schedules. c. If the goods or services will be delivered or performed at a specific location, then confirm that the location is stated correctly. d. Service agreements may include Service Level Agreements ("SLAs"), Key Performance Indicators ("KPIs"), or performance metrics. i. SLAs may provide financial incentives (such as credits owed to an entity) if the Vendor does not respond or perform within the time frames specified in the SLA. 1. For facilities type Vendors, specify the response times for normal, same day, and emergency response service calls. ii. Deadline 1. If there is a timeline, schedule, deadline, or delivery due date, then it should be specified clearly in the contract and tied to penalties if the Vendor does not perform on time.
4. Contract Term	a. Effective (start) date – this is the date that the Vendor's services, performance, or work under the contract begins. Please make sure that this date is correct and conforms to the actual date the Vendor begins their work. b. Termination date – this is the date the Vendor's services, performance, or work under the contract ends. Please make sure that this date is correct and conforms to the actual date the Vendor ends their work. c. Provisions for early termination or termination for convenience i. Note the existence of any fees or other liquidated damages for early termination. Consider requesting a pro-rated refund of prepaid amounts in the event of early termination (this is a difficult ask for many vendors due to revenue recognition considerations). d. Provisions for automatic renewal i. Under automatic renewal provisions, the contract renews for a set period of time, unless either party notifies the other within a set time frame before expiration of the then current term that the party does not wish to renew the contract. ii. If a contract provides for automatic renewal, the Vendor should be required to provide any proposed changes to the terms of the contract sufficiently in advance of the required date for notice of non-renewal to enable the stakeholder to make a decision regarding whether to renew the contract (for example, in the case of a software maintenance agreement, if the agreement provides for notice of non-renewal to be given 30 days before expiration, the Vendor should provide notice to the stakeholder of any proposed changes in maintenance fees at least 90 days before the end of the then current term). iii. Auto renewals must be managed and tracked by the stakeholder to ensure that a contract, that the stakeholder wishes to terminate, is not automatically renewed.

Business Term	Business Term Descriptions
5. Pricing or Rates	a. Price of the products or services i. For contracts covering both products and services, prices for products and services should be separately stated. b. Availability of discounts or more favorable pricing i. This should be reviewed by the stakeholder with Category Management. ii. If Vizient contract numbers are referenced in an agreement, ensure that the correct Vizient numbers are referenced. 1. Vizient, formerly known as Novation, is a Group Purchasing Organization ("GPO"), which provides for pre-negotiated pricing on certain products. c. For services, is compensation paid on a time and materials basis or is it a fixed price based upon completion of deliverables by the Vendor? i. Under time and materials pricing, the Vendor will charge the entity for the actual number of hours worked and for the materials and parts consumed in performing the services. 1. Usually the Vendor charges a mark-up on materials and parts (anywhere from 10-20%). 2. Since the Vendor is charging by the hour, the contract must specify the hourly rate(s). 3. For facilities type Vendors, specify whether there are differing rates for standard/straight/regular/normal time, over-time, double-time, and holidays (state, federal or other). The contract should specify the various rates and the service hours (i.e., 7 a.m. to 4:00 p.m., etc.) when those various rates apply. 4. For consultants, the contract should specify if there is an increased fee for working weekends or holidays, working over eight hours in a day, or over 40 hours per week. ii. Under a fixed price, the Vendor will charge the entity based upon the completion of specific activities or deliverables (such as a consultant's report) specified in the contract. iii. Are prices fixed for the term (i.e., duration) of the contract? iv. If an entity will be reimbursing the Vendor for travel (i.e., airfare, lodging, car rental or taxi, parking, meals) or other expenses (e.g., cost of printed materials), the contract must indicate whether the entity is reimbursing Vendor for actual cost and/or any applicable mark-up. SHC Finance does not permit a mark-up on travel expenses. d. Caps on future price increases i. For contracts that span several years or are subject to automatic-renewal provisions, consider annual maximum percentage caps on price increases. e. Payment terms i. The standard is to require 45 days from our receipt of the invoice within which to issue payment. 1. Invoices for goods are generally issued when the goods are shipped or, if installation is required (such as for equipment), when the equipment is installed. a. For major equipment purchases, it is appropriate to hold back a percentage (usually 10% or 20%) until completion of installation and/or acceptance testing. 2. For services, invoices are usually sent as services are performed, but billing is never more frequent than monthly. ii. Substantial upfront payment commitments should be reviewed carefully and skeptically, and be justified by compelling business considerations (i.e., if the entity has already paid, then the Vendor will not have an incentive to perform well).

<table>
<tr><th>Business Term</th><th>Business Term Descriptions</th></tr>
<tr><td>6. Quantity</td><td>a. If an entity is purchasing a quantity of products, is the stated quantity correct (e.g., Is an entity buying 1 or 10 ultrasounds)?</td></tr>
<tr><td>7. Exclusivity/ Requirements or Volume Commitment Provisions</td><td>a. These provisions obligate the entity to
i. Purchase all of its needs for a particular product or service only from that particular Vendor or
ii. Purchase specified quantities or volumes of a product or services from a particular Vendor, usually to qualify for reduced pricing. Under the contract, higher pricing may apply if a certain quantity is not purchased.
b. Provisions of this type should be reviewed by Category Management, Supply Chain, and Contract Administration team members who are knowledgeable in working with these types of provisions.</td></tr>
<tr><td>8. Obligations of an Entity</td><td>a. For equipment trial evaluations and equipment rentals, it is important to be aware of any Vendor imposed requirements; such as preventive maintenance. If the entity does not comply with these requirements, the entity may be required to purchase the equipment.
b. For statements of work, stakeholders should carefully review assumptions and entity responsibilities; failure to comply with these requirements will likely excuse performance delays by the vendor.</td></tr>
<tr><td>9. Product Warranties</td><td>a. Warranty commencement date (for products)
i. Product warranties may begin on delivery, on acceptance by an entity (after having had a reasonable opportunity to inspect the products to make certain they conform to the contract requirements), installation (for products requiring installation), or placement into service (first patient use).
1. In cases where the warranty start date is based upon placement into service, the Vendor may require a maximum outside start date (for example, “warranty commences on the earlier of first patient use or six months following completion of installation by Vendor”).
2. Delayed warranty starts have been used for 500P and Packard 2.0 to ensure that the entity receives the full benefit of the manufacturers’ warranties.
b. Guaranteed uptime provisions
i. These are similar to a Service Level Agreement (“SLA”) and often are used in contracts providing for both preventive maintenance and service of complex medical equipment.
c. Duration
i. Hardware and durable medical equipment should have warranty periods of at least one year.</td></tr>
<tr><td>10. Return Policy</td><td>a. This provision addresses the circumstances under which an entity can return products to the Vendor.
b. The entity should always be able to return products that do not conform to the contract requirements, specifications, or relevant product order before the acceptance of such products.
c. For sterile packaged products, the Vendor should accept returns of excess quantities if the products are unopened and have a reasonable amount of shelf life remaining.
i. The shelf life is based upon the published expiration date.</td></tr>
<tr><td>11. Shipping Terms</td><td>a. This provision addresses how freight is paid for and handled.
b. The preference is for the Vendor to pay shipping charges, which is commonly referred to as “Freight or Free on Board” (“FOB”) destination.</td></tr>
<tr><td>12. Software and Services Warranties</td><td>a. For services, the Vendor should warrant that services will be performed in accordance with industry standards/best practices and/or manufacturer’s specifications.
b. For software, the warranty period is usually 90-180 days, but typically the software Vendor has an obligation to provide bug fixes, updates, and upgrades under a maintenance agreement.</td></tr>
</table>

Step 10. Send completed "Contract Request Form" and any applicable Vendor proposal and/or Vendor contract as an editable Word file to: ContractAdministration@stanfordhealthcare.org

- the **Total Aggregate Value of Contract** is defined as follows:
    1. For new agreements:
        a. The Total Aggregate Value of Contract is the total expenditure under this contract for the entire term of the contract.
        b. In the case of master agreements that do not specify a dollar amount, the Total Aggregate Value is the good faith estimated expenditure with the vendor under the contract for the entire term of the contract.
    2. For amendments:
        a. The Total Aggregate Value of Contract is the value of the totality of the arrangement (i.e., base agreement plus any amendments or extensions) if the amendment modifies the terms of the base agreement within the initial term of the agreement. For example: The Base Agreement is for three years at $1,000 per year, the Amendment increases the compensation paid to the Vendor in the third year by an additional $1,000, so the Total Aggregate Value of the Contract related to the Amendment is $4,000.
        b. The Total Aggregate Value of Contract is the value of the amendment if the amendment renews or extends the term of the agreement. For example: The Base Agreement is for three years at $1,000 per year, the Amendment extends the term for one additional year at $1,000 per year, so the Total Aggregate Value of the Contract related to the Amendment is $1,000.
    3. For Statements of Work that need to be separately tracked and saved as a new MediTract number:
        a. The Total Aggregate Value of Contract is the expenditure under that Statement of Work. The SOW should reflect the parties' good faith intent and plan for the entire scope of the project or goods and/or services. The scope and term (start/end dates) of the SOW should not be artificially cut into smaller pieces (e.g., three-month term when it's really a two-year project) so that the resulting total dollar value ($149,999) falls under a certain signature authority threshold.

Step 17. Is Legal Review required?

- A contract requires Legal Review if any one of the following statements is true:
    4. A Vendor proposes changes to a Contract Administration approved template.
    5. A Vendor will be paid more than Five Hundred Thousand Dollars ($500,000.00) pursuant to a Contract Administration approved template.
    6. A Vendor will be paid more than One Hundred Fifty Thousand Dollars ($150,000.00) pursuant to a Vendor contract.
    7. A contract includes exclusivity or quantity/volume commitments.
    8. A Vendor is considered a "referral source."
        a. A "referral source" is a physician (a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor), physician group, hospital, ambulance service, managed care organization, nursing facility, laboratory, non-physician health care provider or other person or organization that refers patients to an entity, or to which an entity refers patients.
    9. A Vendor will have access to internal Protected Health Information ("PHI"), data or the Digital Solutions/Information Services networks.

Step 26. Stakeholder obtains the applicable contracting officer's signature

- Follow the applicable entity signature authority or expenditure approval policy.

Step 28. Is a Purchase Order Required?

- A Purchase Order is not required for the following contracting entities:
    1. Stanford Health Care Advantage
    2. CareCounsel, LLC
    3. SUMIT Holding International, LLC
    4. Stanford University Medical Network Risk Authority, LLC (“The Risk Authority”)

Step 28. a. Stakeholder emails “packet” of collated documents to Purchasing

- Scan and send all the documents to the applicable Purchasing department contact(s) corresponding with the applicable contracting entity listed below.

Contracting Entity:	Purchasing Department Contact(s):
Stanford Health Care **University HealthCare Alliance** **Stanford Blood Center, LLC**	1. Purchasing@stanfordhealthcare.org
Lucile Salter Packard Children’s Hospital at Stanford *(“Lucile Packard Children's Hospital” or “Stanford Children's Health”)* **Packard Children’s Health Alliance**	1. apowers@stanfordhealthcare.org 2. smaltez@stanfordchildrens.org 3. dthibodeau@stanfordchildrens.org
The Hospital Committee for the Livermore – Pleasanton Areas *(“Stanford Health Care – ValleyCare”)*	1. rmassey@stanfordhealthcare.org 2. lgauldin@stanfordhealthcare.org

Step 35. Facilitate annual contract evaluation, if required

1. If Stanford Health Care, Lucile Salter Packard Children’s Hospital at Stanford (“Lucile Packard Children’s Hospital” or “Stanford Children’s Health”), or The Hospital Committee for the Livermore-Pleasanton Areas (“Stanford Health Care – ValleyCare”) is a party to the contract, the contract may require annual evaluation.
2. Centers for Medicare and Medicaid Services (“CMS”), pursuant to 42 CFR § 482.12(e), and The Joint Commission, pursuant to Standard LD.04.03.09, regarding Contracted Services requires hospital leadership (board, hospital leadership, and Medical Executive Committee) to monitor contracted services by establishing expectations for the performance of the contracted services. A contract will require monitoring if a Vendor (Other Party) provides a service that can impact patient health outcomes or directly involves the care or treatment of patients in the hospital.
3. Examples of contracts requiring monitoring: clinical staffing, linen, housekeeping, nutrition, imaging, pathology/lab, pharmacy, patient lift team and transportation, and equipment sterilization.
4. Examples of contracts not requiring monitoring: design and construction, real estate, and finance/business.