

Testimony of
Mr. Mark McKenna

April 30, 2002

Chairman Kohl, Ranking Member DeWine, and distinguished members of the Subcommittee, thank you for this opportunity to tell our story and share with you examples of the value we believe Novation delivers to the nation's patients and hospitals. My name is Mark McKenna. I am the president of Novation, the supply chain management company for VHA Inc. and University HealthSystem Consortium (UHC), two alliances comprised of community-owned not-for-profit hospitals and academic health systems throughout the United States.

Our focus at Novation is to help the hospital members of VHA and UHC realize efficiencies and cost savings in their purchasing functions. As I'm sure you know, the environment of health care has changed dramatically in the last 10 years - through the Balanced Budget Act of 1997, staffing shortages, advances in technology, aging populations and managed care. Our nation's hospitals are facing these pressures and the rising costs of supplies, as well. At the same time, reimbursements from HMOs and Medicare continue shrinking, while many more patients are uninsured and are unable to pay at all. Hospitals are caught in the middle. Novation, as an extension of its owner alliances, works to lessen this financial pressure by helping those it serves create a more cost-efficient supply chain, while keeping quality the top priority.

For example, Community Memorial Hospital, a VHA member and not-for-profit health care organization in Menomonee Falls, Wisconsin, employs almost 1,300 people and provided care to more than 60,000 patients last year, including many indigent patients. By choosing to purchase quality products through Novation contracts they realized tangible costs savings of well over \$700,000 in 2001, in addition to significant cost-avoidance. These savings went directly to their bottom-line and helped them maintain their community outreach and indigent care services to their community, such as their free clinic. This hospital's story is only one of many around the country.

At its very core, group purchasing benefits hospitals as well as the entire health care system. As it currently stands, group purchasing brings the most value to hospitals and maintains a fair market for suppliers. All of the hospitals Novation serves are under tight budget constraints. Thousands of free standing large, medium and small hospitals - especially smaller facilities in rural areas - would experience increased costs and struggle to survive if the system was changed.

Health care group purchasing was created by groups of hospitals that came together to gain efficiencies. History traces the concept of group purchasing in the health care industry to as far back as the late 1800s. However, it really didn't take hold until the late 1970's, when health care costs, specifically supply costs, were escalating at an alarming rate. Not-for-profit and academic hospitals, hurting financially, sought a way to aggregate purchasing strength to lower supply costs and to better compete with the for-profit hospital chains. By pooling their efforts, they were able to achieve more together than they could alone.

VHA and UHC are organized as cooperatives and as such, return 100 percent of their cooperative income to members in cash and equity. In 2001, VHA returned approximately 32 percent of its revenue to members in cash payments. UHC distributed almost 40 percent of its revenue to members in cash payments. Members indicate that the combination of VHA and UHC's cash and equity returns, pricing, and value beyond price for products and services are superior to other alternatives. These cooperative payments and the clinical services that the alliances offer help hospitals carry out their missions.

Fees also fund other services of the alliances and are utilized in board-approved initiatives such as information technology resources, research, benchmarking, educational programs, and other efforts to improve health care - things that would be too costly for hospitals to do on their own.

We continue this vision of slowing rising health care costs, helping hospitals fulfill their mission of healing and saving lives. Novation serves the purchasing needs of more than 2,300 health care organizations - the members of VHA and UHC. Our company was formed in January of 1998 when these two alliances created a new joint venture firm that would efficiently serve the purchasing needs of both alliances. VHA, is a nationwide network of more than 2,200 leading community-owned health care organizations and their physicians. It comprises 26% of the nation's community hospitals. UHC, representing most of the academic medical centers in the United States, is an alliance of 87 academic medical centers and 110 associate members. In total, VHA and UHC represent health care organizations in all 50 states.

Cooperative group purchasing, as well as Novation's overall approach, are commonly recognized business models. Novation's relationships with suppliers are similar to business-to-business relationships in other industries where agents broker services such as real estate, financial services, travel and hospitality and other buying agents in the electronics and food industries.

Cooperatives have served this country well. They enable their members to reap the benefits of joint endeavors while still maintaining their independence. They allow the members to own and control the business and to operate it for their benefit. Our cooperative structure is similar to other cooperatives in the farming, building, hardware and restaurant industries. Supplier-paid fees are a means by which cooperatives operate. This is the most effective way to fund our operations, given the financial constraints that most hospitals operate under.

Novation receives fees from suppliers just as other cooperatives do. The amount of the fee offered is generally based upon the value placed on Novation's services by the supplier and usually varies based upon the product category. Fees are paid based on a percentage of member purchases from the agreements accessed.

Our average overall fee is 2.1 percent. Of those fees that are above 3 percent, the vast majority are for NOVAPLUS[®] agreements - our private label brand owned by VHA and UHC members. These slightly higher fees involve trademark and licensing fees. Novation, VHA and UHC are fully accountable for the fees they collect from suppliers and manufacturers and disclose all fee information to the member hospitals.

The federal government has previously reviewed the issue of administrative fees received by

group purchasing organizations from suppliers and determined that based on the benefit of these organizations to the nation's health care system, the fees they generate on behalf of their memberships should be permitted. On April 17, 1985, Richard P. Kusserow, HHS Inspector General said: "We [HHS OIG] believe the current practice of reimbursement by vendors to group purchasing agents should be permitted...The use of volume purchasing through group purchasing agents clearly reduces the cost of purchases by hospitals. Therefore, we would encourage use of such arrangements regardless of the reimbursement methodology."

Novation works as an agent on behalf of VHA and UHC hospitals, ultimately answering to them. Whereas publicly-held manufacturers ultimately answer to stockholders for their financial performance, we answer to hospitals for financial performance as well as by how well we help them fulfill their missions of healing. Member satisfaction is extremely important to Novation. Half of our yearly incentive plan for all employees is based on member satisfaction. As stewards of the members' finances, the other half is based on achieving operating income goals.

With significant involvement from, and on behalf of, VHA and UHC members, Novation works with medical supply companies to offer contracts for products of the highest quality at the most cost-efficient price. When comparing Novation's product portfolio to member and prospective member hospitals' supply purchasing Novation has saved VHA and UHC member hospitals approximately \$2.1 billion since its inception in 1998.

Dennis Barry, President and CEO of Moses Cone Health System in Greensboro, NC and chairman-elect for the board of the American Hospital Association, probably sums it up best: "[They] bring significant value to us as an organization: better pricing for consumables and equipment than we could arrange on our own; a range of other services...helpful to our organization; the ability to network with other similar sized organizations throughout the country on a whole range of questions or issues."

You will hear many benefits and aspects of group purchasing and Novation mentioned today, but the primary one to remember can be summed up in our mission statement: In partnership with VHA and UHC, Novation will deliver industry-leading supply chain management solutions that assist community-based, not-for-profit and academic hospitals in improving financial, operational and clinical performance.

Novation, and group purchasing as a whole, brings tremendous value to health care. In this regard, my testimony will focus on five topics:

- The philosophy and ethics of Novation's overall business practices
- The value created by Novation's competitive "low best bid" process
- The fair, open and competitive nature of Novation's bidding process for suppliers of all sizes
- The flexibility of participation in our product and program offerings
- The clinical & operational benefits beyond group purchasing of the VHA and UHC alliances

Now, I would like to tell you about the way Novation delivers value to member hospitals:

Novation's Overall Business Philosophy

Our overall philosophy is to deliver the greatest possible value to hospitals, keeping both quality and cost squarely in focus. This is accomplished in large part through our open competitive bid process and through extensive member input.

On a more practical level, our day-to-day purpose is to offer and manage contracts with a variety of companies that provide VHA and UHC hospitals with the ability to access high quality products in a cost-efficient manner. Much of what we contract for is commodity-oriented products.

Our contracting objective is to provide members with the highest quality products at the lowest total delivered cost. Recognizing the diversity of the hospitals we serve, all participation in our product agreements is purely voluntary. We seek to provide additional value to hospitals based upon their purchasing volume, commitment and ability to drive purchasing efficiencies across their respective systems. To that end, considerable attention has been given to the following elements:

Involvement of VHA and UHC member representatives in the process

Development of a structured process with "high integrity" to accommodate the competitive bid requirements of public institutions

Reliance upon the business acumen and facilitation skills of staff to guide the process

Because of our eight-step contract process - what we believe to be the most extensive in the industry - hospitals can have confidence that Novation ensures consistent, high-value agreements. This process is used across all departments and program areas of the company to achieve a consistent, high-value outcome.

Novation's contracting process includes the following steps:

Identifying VHA and UHC member contract needs

Conducting member and market research

Developing and analyzing bids with councils

Deciding awards

Resolving and clarifying contract issues

Finalizing the award

Launching the agreement

Retaining records

To determine contracting priorities, Novation relies on member input and member purchasing behavior. Through the direction of member councils, made up of clinical and procurement professionals, as well as surveys and other research, we distribute Invitations to Bid for specific product categories. These include specific questions related to member-determined specifications.

Additionally, we post and maintain a bid calendar of products that are up for bid on our public web site, inviting all suppliers, large and small, to request an invitation to bid. While many manufacturers offer multiple product lines, they must submit separate bids for each product category based upon the bid calendar. Novation's supplier agreements are generally three-year agreements with two one-year optional extension years, exercised at the discretion of Novation and the hospital members. Member councils also help determine if an agreement is sole (one

supplier) or multi-sourced (multiple suppliers.) Generally, when there is little difference in the overall award decision criteria matrix results, a multi-source award is recommended to give members more choice.

"Low Best Bid" Contracting Process

Novation is proud of its innovative "low best bid" approach to contracting. In fact, it is one of the first things new Novation employees learn as they are oriented into the company. Understanding the low best bid process is the key to understanding Novation's overall strategy. The concept centers around the view that hospitals derive the most value from supply agreements when other qualitative (non-financial) factors are considered rather than just the lowest price. The product with the best value for hospital members is not necessarily the product with the lowest price. The low best bid takes into account both financial and non-financial criteria. All decision criteria are established by member councils and through research and vary from product category to product category. For example, non-financial requirements might include: patient and care provider safety, customer service, product quality, clinical knowledge of company representatives, educational offerings and cost in use. Financial criteria can include price, fees and other value measures such as free goods for trial, which are deducted from the cost of the product. These criteria are entered into a matrix - what we call a Decision Criteria Award Matrix - standardizing the way decisions are made. To calculate the low best bid, the financial scores are divided by the non-financial scores for each bidder. This fair and equitable process, created with significant member involvement, ensures a mix of both high quality and cost effectiveness.

Our contracting process is thorough and exhaustive. The average contract decision takes nine months, and some take as long as 1½ years from start to finish. In addition to member-based criteria and input, the decisions take into account such things as: interviews, field trials and published literature, as well as the opinions of multiple member clinicians. Imagine the time, resources and cost associated with these activities if more than 2,000 hospitals did them individually.

The entire contracting process is member-driven. As the contracting arm for the members of VHA and UHC, Novation works with prestigious hospitals around the country that employ some of the most well-respected clinical professionals. Novation seeks member input in many ways including through surveys, councils, task forces and focus groups. In fact, Novation sponsors 23 standing member councils and several other ad hoc task forces, representing more than 300 hospitals, that help shape Novation's product portfolio.

Novation keeps its member-centered focus throughout its award selection process. Physicians, nurses, pharmacists, directors of operating rooms, other clinicians and materials managers from around the country are included on councils. These member councils help decide the bid criteria before the invitations to bid are even sent to suppliers.

It's also important to note that Novation's highly objective and fair contracting process makes the concept of "inherent conflicts" practically impossible. Fees are one small part of a host of quality, non-financial and pricing criteria, which is also set by members. Mathematically alone, fees alone never drive decisions. Quality plays too important a role - as it should.

Working with Suppliers of all Sizes

Novation's public competitive bid process allows all eligible suppliers to participate in a fair manner. Novation welcomes competition from manufacturers as it allows us to gain better value for the members we serve. The competitive bid process and our low best bid approach, provide a level playing field for manufacturers large and small. Our bid calendar is continuously posted on our public web site to ensure the bid is open to all interested parties and those interested in receiving a bid are encouraged to request one.

Of the approximately 500 suppliers contracted with Novation, 25 percent of them are small businesses, as defined by the Small Business Administration. A shining example of Novation working with a small company is our relationship with Triad Disposables, a small business based in Wisconsin. Through the contracting process, they were awarded the contract for alcohol wipes, a low-tech but vital supply for all hospitals. During the contract process, they won over other larger suppliers, including one of the largest in health care, simply because they brought the most value to the members per the decision criteria established by the members.

Innovative technology suppliers, in addition to small suppliers, are found throughout our portfolio of supplier contracts. One innovator, Possis Medical, is a leader in creating a significant new medical market for the mechanical removal of blood clots with a procedure known as "rheolytic thrombectomy." Soon after the FDA approved this new technology, Novation placed it on contract in September of 1999, following input from members. The members involved in the decision consisted of interventional radiologists, radiology technologists, interventional cardiologists and cardiovascular administrators and nurses. Additional input was obtained through market research studies to VHA and UHC members.

It is important to note the distinction between "new" (something not available anywhere else) and "different" (something similar that accomplishes the same outcome) technology.

Novation is committed to providing agreements containing the latest technology to members - the competitive bid process and provisions in our contracts ensure it.

Novation strives to be sensitive to continually evolving health care technology, to remain relevant to those we serve. Through our contracting process, we ensure that we contract for the technology that is most acceptable to VHA and UHC hospitals at the time of the bid award.

Should technology change during the term of the agreement and the current supply partner not provide the latest technology, Novation can add other suppliers or terminate the existing agreement and put out a bid for a new agreement if the members find the technology change so substantive to deem the current agreement's offerings outdated. All agreements contain termination clauses that allow Novation to terminate the agreement with the existing supplier with 90 days written notice when necessary.

An example of a supplier with a new technology being added to the portfolio is Megadyne, a small company that makes an innovative product - reusable grounding pads - used to protect patients from electrical shock. Novation already had disposable grounding pads on contract with 3M and Valley Lab. Megadyne's reusable pads employed a new technology that VHA and UHC members wanted added to the portfolio. These reusable pads are an example of "new" technology.

An example of technology that is simply "different" is in the field of pulse oximetry. The selection of Nellcor over Masimo is a good example of how Novation's bid process works fairly. During the contracting process, which took almost 18 months to complete, we used enormous amounts of clinical input from members, including the active involvement of five separate member councils made up of more than 40 hospital professionals as well as survey results involving more than 850 member hospitals. Regarding the non-financial criteria, our process revealed that Masimo's technology is based on "rhythmic and repetitive" patient motion while Nellcor's technology is based on "random and chaotic" patient motion. Masimo's product was deemed to be a different technology, but not a new technology. Our clinicians gave us input that random and chaotic patient motion is a more realistic measure, especially when the patients are children and babies. Overall, in the non-financial categories, Nellcor received higher marks from clinicians than any other competitor in every single category. In the end, the results were overwhelmingly in favor of Nellcor, far above all other bid participants. Ultimately, the member councils recommended the bid award go to Nellcor.

Besides meeting member standards, suppliers with new technologies also face additional challenges. Some truly "new" technologies must wait for FDA approval. Others are available, but must wait long periods for reimbursement approval, making them cost-prohibitive to many health care institutions. And, finally, many companies with "new" technologies are not always interested in contracts with group purchasing organizations, believing that with no competition they can command higher pricing for their product on their own.

Possibly even more telling regarding clinical input in decisions, is the support of many clinicians at VHA and UHC member hospitals following bid awards. Because participation in our contracts is voluntary, hospitals often conduct their own clinical trials on some contracted products, even after the rigorous review the Novation contracting process gives to the products. By conducting their own clinical trials, members ensure they are choosing to access the products that best meet their needs. This not only underscores the clinical decision of our member councils, but also underscores the inherent freedom of choice that member hospitals enjoy in the Novation relationship.

In addition to relying on member input to keep us updated on health care technology changes, Novation's contracting staff - with significant input from Novation's field-based service delivery team - is responsible for monitoring their respective product's markets for technological advances. These staff members typically have a high degree of experience, training and expertise related to their area of responsibility - often having direct experience in these areas at provider organizations. Should a Novation staff member learn of changes in product technology, the staff member can review the impact of the technology changes with one of Novation's member councils.

As a member-driven organization, it is always in the members' best interest to make sure that our agreements meet the needs of the VHA and UHC members - clinically, financially and operationally.

Flexibility of Member Participation

Hospital participation in Novation agreements is totally voluntary. Novation strives to offer VHA and UHC hospitals the most competitive value on the highest quality products based upon members' purchase patterns and ability to deliver volume, commitment and purchasing efficiencies. However, we also recognize that each hospital's ability to commit varies.

In response, Novation offers a portfolio of agreements and programs in which organizations can freely choose to participate in, without disadvantaging those that cannot.

For example, Novation offers a committed purchasing program we call OPPORTUNITY®. Novation's approach to commitment is a self-selecting philosophy in which members are free to choose whether they wish to participate. We believe the voluntary nature of OPPORTUNITY has helped make it the industry's leading and most successful committed purchasing program. In addition to offering best pricing, the program helps organizations focus their efforts on further improving efficiencies through standardization and utilization. OPPORTUNITY delivers cash rewards for commitment and the potential to increase VHA's and UHC's cooperative returns. OPPORTUNITY rewards VHA and UHC hospitals that voluntarily meet previously agreed-upon commitments in designated product categories. There are no Novation programs that require 100 percent participation.

Our contracts offer product coverage of about 75 percent of the total supplies the average hospital uses. So, there is 25 percent we don't have on contract at all - these products could represent fast-changing technology areas, local or regional products or large capital expenditures. Of the 75 percent product coverage we offer, VHA and UHC hospitals typically use our contracts for about 55 percent of their purchases. So, overall, VHA and UHC hospitals use Novation's services to purchase about 40 percent or less of their product needs, all of which is accessed on a voluntary basis. Hospitals choose what works best for them.

The significant involvement of the councils and hospitals as a whole, play an important role in the aggregated purchasing strength of the VHA and UHC facilities. We actually see ourselves as a champion for the small rural or community hospital that would have a difficult time providing these services on their own. Through our aggregated approach, small rural and community hospitals enjoy the buying strength of large health systems. More than 700 VHA and UHC member hospitals have fewer than 100 licensed beds. According to the March 2000 Muse & Associates study, *The Role of Group Purchasing Organization in the U.S. Health Care System*, without Novation to contract on their behalf, these small health institutions could be spending up to 15 percent more on hospital supplies. Additionally, of our 23 member councils and task forces, about 30 percent of the participants are representatives from small hospitals with 100 beds or less.

To better illustrate this, if I may quote Susan Park, Purchasing Agent of VHA member Sarah D. Culbertson Memorial Hospital in Rushville, IL, she says, "We have limited resources, as a 58-bed facility, and Novation is always willing to work with us to meet our needs.

With Novation's help, we gain the benefits of a bigger hospital that we couldn't get on our own. Through Novation, we are not little, but mighty."

Clinical & Operational Benefits of the VHA and UHC Alliances

It's important to note that health care organizations affiliate with VHA and UHC and gain access to Novation's services for a number of benefits beyond simply supply chain management.

These include: nationwide collaboration on clinical improvement initiatives; high-quality educational opportunities; groundbreaking research on emerging technologies; consulting services that improve operational efficiencies; research on consumer trends; advocacy on public policy issues; and innovative services provided by VHA and UHC that might not otherwise be affordable for individual organizations or available from other sources. Alliances represent the coming together of their member organizations in areas other than purchasing. More can be done to improve the country's health through collaboration and scales of efficiency.

For example, VHA recently launched the nationwide program, Women's HeartAdvantage, as part of a national initiative to change how women are treated for heart disease and to educate women about their own risks for heart disease. VHA is collaborating with hospitals across the nation to implement the first hospital-based program to address heart disease, which is the greatest health threat to women. To address this largely unrecognized health crisis, VHA conducted nationwide and market-specific benchmarking research on the attitudes and awareness among women about heart disease. Interval results from the Yale-New Haven Hospital demonstration program revealed that after 10 months of the Women's HeartAdvantage program, awareness significantly increased from 26 percent to 39 percent. In fact, already we know it's helped save at least one life. After experiencing chest pain, a patient mentioned to her doctor that she had read about Yale-New Haven's participation in Women's HeartAdvantage. The symptoms she read about reminded her of her own discomfort. She was sent to the hospital, where doctors performed an emergency balloon angioplasty, and she's doing fine.

Likewise, UHC helps members identify standards of excellence among academic health centers and community providers so that members can achieve optimal quality and productivity.

UHC's improvement and effectiveness services focus on enhancing practice management, improving members' clinical and operational performance, and providing the support and resources for effective clinical decision making. UHC's benchmarking projects use data-driven processes to identify models of efficiency and best practice, share up-to-date information, and initiate effective, long-term clinical and operational improvements. A recent benchmarking study focused on ischemic strokes. Participating hospitals reported current patient care protocols for treating stroke victims. UHC compiled and reviewed the information and produced a report that identified best practices in patient care. The University of Utah Hospitals and Clinics was one of the stroke project participants. Using the findings from the UHC study, the hospital's staff formed a clinical "brain attack team" of physicians, nurses and pharmacists. The team reviewed the findings and modeled their response and treatment patterns on better performers' practices. Since implementing their new response protocols, they have experienced improved outcomes with many of their stroke patients.

Attention to safety is also a vital initiative. Novation's comprehensive safety initiative promotes and enhances patient, care provider and environmental safety. Through this initiative, Novation increases member awareness of its safety-related contracted products; promotes and tracks supplier-sponsored safety initiatives; obtain member input on safety projects through councils;

and incorporates safety specifications into the contract process. Our quality assurance/regulatory affairs team ensures the delivery of safe and effective products by conducting manufacturing inspections and audits of supply partners, monitoring customer complaints and enforcing all regulatory guidelines.

During 1999 and 2000, 25 VHA and UHC member organizations participated in the Novation Education in Anesthesia Techniques program. This program is an anesthesia clinical simulation training program offered by Novation's anesthesia business unit. The initiative was presented, reviewed and supported by the Novation Anesthesia Advisory Council which consists of clinicians such as nurses and pharmacists. This program allows organizations to receive a free, cutting-edge and accredited training program for anesthesiologists, nurses and pharmacists. Nine out of ten participants felt that their clinical staff gained enhanced clinical knowledge from the program. Multiple clinical participants wrote to us following the program. One letter from a physician and professor at the University of Minnesota said the program was "tremendously successful educationally for medical students, residents, fellows, anesthetists and staff."

Additionally a fourth-year medical student that attended the program wrote to us saying: "I attended a training session on the identification and treatment of a tension pneumothorax. The very next morning, one of our patients developed a tension pneumothorax in the PACU. After the incident, when the resident began asking questions about how to treat this condition, I was able to answer correctly."

Additionally, VHA and UHC, operational efficiency solutions are offered to hospitals through Marketplace@Novation?, Novation's Internet information solution containing a members-only Web site and e-commerce services for hospitals and suppliers. Hospitals can access contract and program information, publications and other Novation supply chain tools. In the late 1990's, VHA and UHC members strongly indicated a need and a desire for electronic health care procurement. VHA and UHC's strategic investment in Neoforma to build Marketplace@Novation ensures that members have easier access to innovative technologies and reduces members' development costs for these services.

The health care industry is large, fragmented and surprisingly behind in the information arena. Easily accessible information available to all parties in the supply chain is non-existent. In 1995, the industry-wide study, "Efficient Healthcare Consumer Response" stated that by addressing current inefficiencies in the supply chain, \$11 billion of additional savings could be realized by America's hospitals. Despite the industry's best efforts to try to address these issues, very little was accomplished. The evolution of the Internet and the 2001 study, "The Value of e-Commerce in the Healthcare Supply Chain" identified specific steps we can take to achieve potentially 2-10 percent savings and help hospitals accelerate the technology timeline to reach supply chain efficiencies enjoyed by other industries. Those steps are the guiding development principles behind the Marketplace@Novation.

Marketplace@Novation is an evolution of our core competency of aggregating purchases to reduce supply costs. The Internet makes it possible to streamline the process, create new efficiencies and connect existing information systems to perform productive new activities. Marketplace@Novation will enable members to purchase virtually all their supplies through our e-commerce services. In fact, any supplier - both those with and without Novation agreements -

can post all of their product information on Marketplace@Novation - not just those products on contract - to allow greater visibility. These services will allow members and suppliers to automate current manual purchasing processes.

It will reduce administrative costs by aggregating purchasing information across all health care organization sites. Marketplace@Novation is a logical extension of what we already do for VHA and UHC members - deliver value.

As it grows and develops, Marketplace@Novation is proving to be successful. In just over a year since its first member hospital went online, Marketplace@Novation has seen dramatic increases in the transaction volume and rapid hospital and supplier adoption. Currently, more than 700 VHA and UHC hospitals and almost 240 supply and distribution companies have signed on to participate in Marketplace@Novation e-commerce services. This leading supply chain solution facilitates the efficient exchange of information with hospitals and their suppliers for the procurement of goods and services, resulting in streamlined processes, reductions in administrative costs and more efficient healthcare purchasing.

Conclusion

Safety, quality patient care and good stewardship of resources are the top priorities of the hospitals and health care professionals we serve. Their passion, commitment, and insight are transferred to us through their involvement in everything we do as a company. We are dedicated to helping hospitals around the country realize significant efficiencies and cost-savings - the underlying reason for the existence of group purchasing organizations. In today's health care environment of tight budgets, these savings are invaluable in allowing hospitals the breathing room to have resources for safe and quality patient care, providing indigent care, hiring practitioners, providing community outreach programs and offering the best services most effective to better the health of our nation.

On behalf of Novation, VHA, UHC, their hospitals and their patients, I deeply appreciate the opportunity to share with you of the value and benefits we bring to public and community-owned hospitals around the United States.