

2023 PUBLIC ACCOUNTABILITY QUESTIONNAIRE

This Questionnaire Covers Calendar Year 2023.
Please return your response to jeri.freirich@arentfox.com no later than
June 2, 2023.

OWNERSHIP AND ORGANIZATIONAL STRUCTURE

1. Describe the ownership structure of your GPO and/or its parent or affiliated companies, including details regarding the following:
 - Person(s) or entities that control many voting interests in your GPO.
 - The types of equity holders of your GPO (e.g., publicly held company, healthcare providers, individuals, for-profit and/or not-for-profit entities).
 - The corporate form of your GPO and/or its parent or affiliated companies – such as corporation, partnership, limited liability company, co-op.
 - Whether the GPO is organized as a for-profit or not-for-profit organization; and
 - Location of corporate headquarters.

Capstone Health Alliance, Inc., a for-profit C Corporation, is wholly owned by Timothy Bugg and its headquarters are in Fletcher, NC.

2. Describe the composition of your Board of Directors or other governing body and reflect any changes from the previous HGPII reporting year. Include the following in your response:
 - Number of individuals serving on your Board.
 - Percentage of Board representing GPO customers.
 - Percentage of Board that are employees of the GPO; and
 - Percentage of Board members also serving as employees, officers, or directors of a participating vendor.

Capstone's only Board Member currently, is Timothy Bugg.

3. Indicate whether any equity holder of your GPO and/or its parent or affiliated companies is a physician (or an immediate family member of a physician).

No equity holder of Capstone is a physician or an immediate family member of a physician.

CONFLICT OF INTEREST

4. Describe the GPO's policies and procedures that address conflicts of interest for:

Capstone Employees and Committee Members are all expected to comply with Capstone's Code of Ethics and Compliance, Conflict of Interest & Vendor Relations policies. In regard to those, specifically:

Employees:

Gifts to Capstone employees: No Capstone employee shall accept gifts, entertainment, favors, honoraria, or personal service payments other than of nominal value from any participating vendor.

Equity ownership by Capstone employees: No Capstone employee shall, without appropriate disclosure, own an individual equity interest in any participating vendor where they would be in a position to influence a contracting decision.

Insider Trading: Insider trading by an employee of Capstone based on any knowledge of vendors or their prospects gained through their employment is prohibited.

Clinical Advisory Members:

***Interested Person.** Any director, officer, or member of a committee who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the system of which Capstone is a part, he or she is an interested person with respect to all entities in such system.*

***Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:*

A. an ownership or investment interest in any entity with which Capstone has a transaction or arrangement; or

B. a compensation arrangement with Capstone or with any entity or individual with which Capstone has a transaction or arrangement; or

C. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Capstone is negotiating a transaction or arrangement.

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and all material facts to the directors and members of committees considering the proposed transaction or arrangement.

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he or she may be asked to leave a committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining committee members shall decide if a conflict of interest exists.

5. Describe actions the GPO takes to avoid conflict of interest issues for members of the Board of Directors (e.g., disclosure and/or prevention of equity investments in participating vendor relationships and acceptance of gifts/meals/travel/entertainment paid for by vendors).

Please see #4 above

6. Describe the GPO's policies and procedures that address activities, including other lines of business of the GPO and/or its affiliates (including non-GPO services and strategic investments) that might constitute conflicts of interest to the independence of its purchasing activity. [1]

We follow the same guidelines with respect to our ethics and conflicts of interest... although the revenue aspect may differ. The non-GPO and strategic investments are typically under Capstone Solutions Inc. which is referenced below in #7.

OTHER LINES OF BUSINESS

7. Describe other lines of business or investments of the GPO and its affiliates. We are interested in hearing about new as well as nontraditional GPO services that your company and its affiliates are involved with.

Capstone has created the Capstone Learning Academy and the Capstone Leadership Institute which are online learning platforms with modules that our members staff can access to learn about topics such as the Affordable Care Act, Purchasing 101 & 201, Supply Chain 101 & 201, GPO's, Value Analysis, Finance, Leadership, Compliance, etc. This year we have also added "Training Tracks" which are educational or clinical webinars for our members and learning modules for our Suppliers that explain how to work with Capstone & our members.

Capstone has established CSI (Capstone Solutions Inc.) to be able to market to non-healthcare (i.e., Business & Industry) type entities. CSI provides business and industry customers with new and creative savings opportunities through partnerships with industry-leading suppliers.

CSI also has under their umbrella the following business ventures:

- *Capstone Strategic Stockpile (PPE products for our small rural members)*
- *Accounting Services for local non-profits*
- *Insurance Division*
- *Cap Assets Holdings, LLC. (Real Estate)*
- *Investments*
 - *Manufacturing of AAMI Level 2 gowns (joint venture with our GPO)*
 - *Manufacturing of exam gloves*
 - *Communications software solutions*
 - *ATM Systems*

8. What policies or guidelines does the GPO have to address potential conflicts of interest regarding other lines of business engaged in by the GPO and/or its parent or affiliated companies?

Capstone's Vendor Relations Policy applies to all lines of business.

MONIES FROM VENDORS

9. Describe the GPO's policy with respect to the receipt of sponsorship funds, grants for research or other educational programs, or any other source of non-administrative fee revenue from vendors. What policies does the GPO have to guard against any potential conflict of interest relating to such payments?

Capstone does not solicit any monies for any other activities other than the participation in sponsorships in our Annual Forum, travel reimbursement, or honorariums for speaking engagements in member educational training.

10. Does the GPO and/or its parent or affiliated companies accept vendor fees relating to conference sponsorship or exhibit booth space? What policies does the GPO have to guard against a potential conflict of interest relating to vendor participation in industry trade shows, and donations in general?

Capstone does accept vendor fees with their registration to participate in our Annual Forum for our Vendor Exhibitor Show, select general sessions, and networking events as a participating vendor and/or sponsor. Registration is open to all vendors that have a Capstone agreement. All registration fees are documented.

We do offer suppliers different levels of sponsorship opportunities related to Forum marketing exposure, and they may supply conference type products to all members along with member door prizes. Our Vendor Relations policy states:

Capstone cannot require Vendors to participate in events and marketing opportunities. Participation by Vendors in no way influences decision making regarding contract negotiations. Capstone staff can inform Vendors about such opportunities but should in no way position participation in these opportunities as an influencer in decision making.

11. Describe any services or products the GPO or its affiliates provide to vendors on a fee-for-service basis (e.g., data, claims processing, etc.).

No services or products are sold to vendors.

12. Does the GPO make annual disclosures of administrative fees received from vendors for contracting activities with respect to the member's purchase of products and services (e.g., safe harbor reports)? If this document is publicly available, provide an electronic link to this information.

Capstone does report the administrative fees applicable annually to each member in compliance with Safe Harbor Laws & Provisions, but it is not publicly available.

¹ Business concerns, organizations, or individuals are affiliates of each other if, directly or indirectly, (1) either one controls or has the power to control the other, or (2) a third-party control or has the power to control both. (See 48 CFR, Section 9.403 (2007): Securities Act, Sec. 16, 15 USC 77p(f)).

13. Does the GPO disclose to members all payments other than administrative fees the GPO receives from any vendor during the GPO's group purchasing activities (e.g., booth space, educational grants, marketing fees, honoraria, etc.) whether from the purchasing activity of those members or not? Describe your disclosure practices.

We do not report our Annual Forum's vendor registration fees to our members.

14. Describe the GPO's policy with respect to returning administrative fees to an ineligible vendor.

When there are administrative fees paid on ineligible purchases (i.e., entities no longer Capstone members for that period), these monies will be returned to the Supplier when the applicable administrative fees total over \$50 in aggregate. This reimbursement will be processed within 45 days of the appropriate reporting been sent to Capstone.

MEMBERFEES

15. Does the GPO pay fees or offer equity to members upon the signing or re-signing of a participation agreement with the GPO or the joining or renewal of membership in the GPO program?

Capstone does not pay fees or offer equity to members upon signing or re-signing of a participation agreement or to the joining or renewal in the GPO program.

BID AND AWARD/CONTRACTING ISSUES

16. Does the GPO have a publicly available description of its bid and award process? If so, provide a link and written description of your bid and award process. If not, describe how it may be obtained.

Our contract calendar and description are available at:

<https://capstonehealthalliance.com/supplier-partners/our-contracting-process>

Capstone has instituted the Contract Oversight Committee (formally known as the Materials Management Committee) which reviews contracts awarded by our primary GPO (Premier) and Capstone local agreements monthly. This committee's structure is comprised of up to fourteen members from different areas of the country, different size hospitals and/or systems, with also representation from the non-acute market.

This committee reviews spend data and member participation in each category as well as the quality of the supplier's products and/or services, sales representation, service levels, backorders, etc. if there are performance issues.

Contracts and the appropriate tier or pricing levels are then awarded, which then is communicated to the general Supply Chain membership in a monthly webinar to provide information and encourage feedback.

17. Describe the GPO's requirements for how products or services are published so they are accessible to potential vendors. If a bidder is not awarded a contract, is that bidder able to review the decision criteria used to evaluate the bid? Include in your response a general description of the GPO's criteria for vendor selection.

It is referenced on our website that Capstone utilizes Premier as our national GPO and as noted here that we follow Premier's contract awards monthly with our Contract Oversight Committee. Our local contract's categories and effective & expiration dates are published in our website's contract calendar.

Our process for suppliers after submitting a Supplier's Application on our website and not being considered for a contract at that time is an email that is sent to the supplier notifying them of the decision with the reason.

The Supplier Application asks for information which includes their company overview, products and services, Capstone's membership annual spend, HUB classification (if applicable), GPO affiliations, Diversity accredited status, whether their products are manufactured in the U.S.; and whether they have ever been excluded or listed on the Federal Government's ELPS, the OIG, or the Treasury Department's OFAC.

Our contracting criteria can vary depending on the product or service, but the constant variables include market share within Capstone, Premier, and sometimes on a national level; spend within Capstone's membership, can they support the entire membership, is this category already covered under Premier agreements, or can the product be considered as a "Breakthrough Technology".

Depending on the category... contracting recommendations & opportunities will be reviewed and communicated to the applicable member workgroup (i.e., Supply Chain, Laboratory, Pharmacy, Surgical Services, etc.), our Contract Oversight Committee, or an ad-hoc task force created to help us in our review and award decisions.

18. Describe the GPO's policy regarding the use of single, sole, dual, and multi-source procurement and provide an example or two to support use of these contracting tools.

The type of contracts referenced above are mostly awarded by our Contract Oversight Committee's recommendations that can be based on numerous criteria such as market share within the membership, product availability across the membership, pricing, service levels, etc.

Single or sole awards make up an extremely small percentage of our contract portfolio, while dual and multi-source awards are a majority due to our number of hospitals &

systems across the country. Members always have the opportunity and flexibility to utilize additional suppliers in all categories if they choose.

Our philosophy for strategic physician preference categories is that we try to structure these agreements with individual market share participation that with the higher percentages drives the more beneficial pricing & value for that member. It does not necessarily limit the member's selection of suppliers unless the supplier does not want to participate in this type of agreement structure.

We follow our primary GPO (Premier) and their contracting calendar and awards... and mostly adhere to their supplier selections within. It is at our members' request to add additional suppliers, usually when a supplier is not re-awarded an agreement and the membership does not wish to convert their products.

19. Does the GPO permit bundling of unrelated products or services from the same vendor or from different vendors? If so, under what circumstances would the GPO consider bundling to be appropriate?

Capstone does not pursue the bundling of unrelated products but will review such a proposal to ascertain the value to the membership.

20. Describe the process for contracting for clinical preference items. Describe the GPO's policy guiding the appropriate length/term of contracts for clinical preference products.

Clinical preference products are contracted in the same way as all others as previously explained in being reviewed through our Contract Oversight Committee and/or an ad-hoc task force. "Breakthrough" technologies are welcomed and considered, although vetted through our membership. The length of these contracts, like most of our others, will be for three years. We are considering committed programs to achieve more beneficial pricing and supply guarantees if our members or a subgroup of our membership along with the supplier can agree on terms.

ADMINISTRATIVE FEES

21. What is the GPO's practice regarding the amount of administrative fees accepted? If there is a written policy, please provide an electronic link or copy of the GPO's policy regarding these fees.

Capstone does not accept administrative fees above 3% under the GPO with a few exceptions, but our overall average is 2.52%.

22. Describe the conditions in which the GPO accepts administrative fees beyond 3 percent, requiring specific (not blanket) disclosure under the Federal Regulatory Safe Harbor provisions?

As referenced above in #21, the few exceptions are when these agreements have provided exceptional value to our membership and may have additional Capstone

service requirements. These limited exceptions are disclosed annually to the applicable participating members.

23. Describe the range of administrative fees accepted and examples of the types of contracts (without specifying specific proprietary information) that have administrative fees greater than 3 percent.

There are only three agreements where we have over a 3% administrative fee... a beverage solutions program, employees benefits insurance programs, and an airway clearance product contract.

PRIVATE LABEL PROGRAMS

24. Describe whether the GPO has a private label program and if so, describe the products the private label program covers.

Currently there are no private label programs at Capstone.

25. Describe the GPO's practice regarding administrative fees derived from a private label program.

Currently there are no private label programs at Capstone.

VENDOR GRIEVANCE PROCESS

26. Describe the GPO's policy and process with respect to responding to a vendor's grievance regarding the bid/award process.

An interested person may contact the Chief Financial & Compliance Officer with a complaint regarding a transaction or arrangement during the bid/award process. After investigating and discussing with vendor, there may be involvement with the Executive Team of Capstone. After exercising due diligence and determining that the situation cannot be resolved with the vendor, the Compliance officer will determine whether the claims are substantial enough to cancel the agreement.

27. Did any supplier, since submission of the last GPO's Public Accountability Questionnaire, request an evaluation pursuant to the HGPII Independent Evaluation Process? If so, please provide information regarding the outcome of such an evaluation.

No request since last submission.

28. Does the GPO participate in HGPII's Independent Evaluation Process?

Yes

29. Is the HGPII Independent Evaluation Process displayed on the GPO's public website? If so, please provide an electronic link to this information.

<https://capstonehealthalliance.com/ethics-compliance/>

INNOVATION

30. Describe the GPO's policy and process to evaluate and provide opportunities to contract for innovative products and services.

Capstone is always open to vetting suppliers with new and innovative products or services through our Supplier Application process.

The Supplier Applications are reviewed by the Contracting Team on a bi-monthly basis, and if we feel their products & services can be of value to our members, we present these potential opportunities to the various work groups that we have established for their recommendations. This process is for ALL suppliers wanting to present their products and services to Capstone and our membership.

31. Does the GPO have the right to enter into a GPO contract for innovative technology at any time during its bid and award cycle? Describe the process the GPO has for fostering the development of GPO contracts for innovative products.

Yes... we can enter into a new contract at any time. There is not a formal process for this, but we attend various conferences throughout the year (i.e., Federation of American Hospitals, IDN Summit, Health Connect Partners, HIDA, Premier Breakthroughs, etc.) in all of which we participate in their Supplier Exhibition shows to hear of the Suppliers products & services.

32. Are GPO members allowed to evaluate products and/or communicate with vendors, regardless of whether a vendor has a contract with the GPO?

Yes

33. Are GPO members allowed to purchase non-contracted products or services directly from non-participating vendors?

Yes

VENDOR DIVERSITY PROGRAMS

34. Describe the GPO's program or activities that encourage contracting with Diverse Vendors (small, women-owned, veteran owned, minority-owned). Explain how you promote or market those programs to the GPO's membership and to Diverse Vendors.

Capstone would like to support Diversity owned suppliers, if possible, but our process in vetting all suppliers for member value is the same. We identify our agreements that have these classifications so our members will be aware.

35. Has the GPO increased contracting with Diverse Vendors over the prior year(s)? If so, quantify these increases within each Diverse Vendor category (SBE, WBE, VBE, and/or MBE).

Yes... our current breakdown (ytd) is the following: MBE 25, SBE 88, VBE 5 and WBE 19... 137 of our total number of 885 contracts which is 15.5%. Our total number of Diversity contracts has increased again this year along with the percentage.

36. Does the GPO have a Vendor Diversity Committee or other program or group for developing diversity goals and expanding opportunities? If so, describe. What is its mission, goals, and objectives? Does it work directly with the GPO's sourcing team in developing its goals and expanding opportunities? What are the Committee's significant achievements over the GPO's last fiscal year? If it is a committee, who are its members and how frequently does it meet?

Capstone does not have a specific committee, but we will review Premier's diversity agreements and will look to our member's recommendations for both Premier and Capstone local agreement opportunities.

37. Does the program described in the previous question provide education to member health systems regarding diversity program best practices and/or how to establish a Vendor Diversity Program within their system? Does it solicit member feedback to ensure it is meeting member expectations?

Capstone does not provide education; it is at our members' discretion to participate in the contracting opportunities we provide.

38. Describe any other actions concerning Vendor Diversity you think are important that are not covered by the preceding questions.

None currently.

ENVIRONMENTALLY PREFERRED PRODUCTS AND SERVICES

39. Have members of your GPO expressed a preference for environmentally preferred products and services?

On occasion, but not very often. It's very similar to the Diversity programs that each member has set their own expectations.

40. Describe your GPO's approach in identifying and satisfying the desires of your various members for environmentally preferred products and services. Provide examples of environmentally preferred products and services within your current portfolio.

This has not been a target for us in identifying these types of products, nor have we been asked by the membership to do so. However, we do have agreements in place that include these types of products and the suppliers can highlight their products in what we call our "Contract Summary Sheet". This is typically a one or two page "Flyer" that references the contract information and highlights the product or services the suppliers wish to include. This document is used by the supplier representatives and the Capstone Region Managers in presenting consistent information to our members.

41. What challenges, if any, have you experienced in identifying or contracting for working a variety of environmentally preferred products and services to your members? How have you responded to such challenges?

We have not experienced any challenges to date.

42. Has your GPO designated someone to:

- Identify your GPO's environmentally preferred objectives.
- Explore environmentally preferred products and services; and/or
- Develop initiatives to help educate your members about the value of using environmentally preferred products and services?

No, but this information has been mentioned in supplier presentations to our membership if applicable.

43. Please describe your organization's role in educating, advising, and supporting the adoption of Environmentally Preferred Purchasing among your members, including the availability of websites, catalogues, toolkits, or webinars?

Please see the response to #42 above.

CODE OF CONDUCT

44. Provide a copy of and an electronic link to your GPO's written code of business ethics and conduct. Describe any changes made to it from the previous HGPII reporting year.

<https://capstonehealthalliance.com/ethics-compliance/>

No changes from previous year.

45. Describe whether and in what manner the GPO distributes its written code of business ethics and conduct to all applicable employees, agents, contractors, clinical advisory committees, and others involved in group purchasing activity. How often is the code of conduct provided to employees? Do employees receive annual refresher training on the GPO's ethics and the code of conduct? Describe the content of the training and the method of delivery.

A Code of Ethics and Conduct is reviewed, signed, and dated by each Capstone employee annually. A compliance training module is viewed and signed off on by each employee annually as well. It is viewed through our Capstone Learning Academy website and includes all best practices promoted by HGPII.

COVID-19 Response

46. With the onset of the COVID-19 pandemic many healthcare providers experienced shortages of critical supplies and equipment due to disruptions in the supply chain. In response, how did your organization assist its members in assessing the quality and reliability of supplies? Specifically, what role did your organization play in vetting new and previously unknown supply chain sources, especially within the so-called Grey Market?

We had received literally hundreds of phone calls and emails from “suppliers” from all over the world in 2020 and 2021. We still mainly rely on our primary GPO (Premier) to also vet suppliers they were hearing from, we also had numerous in-depth discussions with some suppliers that had reached out to us to ascertain their terms, product specifications and certifications, logistics, pricing, etc.

We have created the “Capstone Strategic Stockpile” inventoried at one of our main Med/Surg Distributors that includes twenty high volume categories to be ordered & distributed to help our smaller rural hospitals and non-acute members who might have a difficult time finding available product in the future. These are primarily PPE products which do not seem to be an issue lately but will keep our inventory of products for now.

47. Please describe your organization 's role in advising and supporting federal and state policy makers in managing the healthcare supply chain during the pandemic, including cooperation with federal and state stockpiles?

Our role was in conjunction with the Premier’s advocacy efforts in delivering information to our membership.

48. As a response to pandemic related challenges and supply chain disruptions, what technology services and IT products did your organization provide to members and their patients? What information and best practices services did you provide to the public?

Many webinars and calls were held providing & soliciting information with our membership. None were directly given to the public.

49. Describe the mechanism (e.g., a corporate review board, ombudsman, corporate compliance or ethics officer) for employees to report possible violations of the written code of business ethics and conduct to someone other than one’s direct supervisor, if necessary.

Any employee can reach out to the Chief Financial & Compliance Officer at any time with concerns about business ethics or conduct. After investigation and discussion, this concern may be brought to the attention of the Executive Team if action is warranted.

REPORTING POTENTIAL ETHICAL VIOLATIONS

50. What process is used to protect the confidentiality of the reporting employee's identity and what safeguards are in place to mitigate the opportunities for retaliation?

An employee's identity will be protected and held confidential by the Chief Financial & Compliance Officer and any Executive Leadership involved. When an incident is reported, an investigation will ensue. Depending on the seriousness of the offense and the violations discussed, there may be discussions with Executive Leadership in which continued confidentiality will be emphasized. This process is stated in the Code of Ethics and Conduct that employees sign and receive training annually.

51. Describe how the GPO follows up on reports of suspected violations of the code of business ethics and conduct to determine if a violation has occurred and if so, who was responsible. Describe corrective and other actions taken in such circumstances.

Any investigation into violations of the Code of Ethics and Conduct will begin with a review of relevant documents and interviews with appropriate personnel. Any employee who is found to have committed a compliance violation will be subject to disciplinary action up to and including termination.

52. Describe the processes the GPO follows up on, to monitor on a continuing basis, adherence to the written code of business ethics and conduct, and compliance with applicable federal laws.

Capstone promotes compliance with all laws, rules, and regulations as well as standards on ethical conduct. Employees sign off on policies on Confidentiality, Conduct and Ethics annually as well as receiving training. The Chief Financial & Compliance Officer is always open for discussion with employees on any compliance matter. Travel and expense reports are reviewed by the Staff Accountant for any questionable items and reviewed with the Chief Financial and Compliance Officer. Bid and Awards are also reviewed for any undue preferences.

53. Are periodic reports on the GPO's ethics and compliance program made to the GPO's Board of Directors or to a committee of the Board? If so, please state how often and in general, what information is reported? Are periodic reports on the company's participation in HGPII made to the GPO's Board of Directors or to a committee of the Board? If so, please state how often and in general, what information is reported.

Capstone has been purchased by Timothy Bugg and he is currently the only Board Member. Since he is also the CEO of the company he oversees all operations, including the ethics and compliance programs. He receives information as needed on a continuous basis.

54. How many of your GPO employees attended the most recent Best Practices Forum? Include the name of the most senior executive who attended.

2+ – Mark Landau, Chief Operating Officer & Sonya McCall, Chief Financial & Corporate Compliance Officer. Various other staff participated in presentations throughout the day.

55. List the name, title and contact information of the senior manager assigned responsibility to oversee the business ethics and conduct program. Provide the name, title, and contact information for the individual(s) responsible for responding to this report.

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