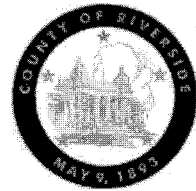


**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**ITEM**  
3.25  
(ID # 6392)

**MEETING DATE:**  
Tuesday, April 10, 2018

**FROM :** RUHS-MEDICAL CENTER:

**SUBJECT:** RIVERSIDE UNIVERSITY HEALTH SYSTEM – MEDICAL CENTER: RATIFY AND APPROVE Enhancement Addendum #39 to the Pharmacy Distribution Agreement between the County of Riverside, Vizient Supply, LLC, and AmerisourceBergen Drug Corporation (ABDC) designating AmerisourceBergen as the Prime Vendor via Vizient Group Purchasing Organization (GPO) award for Pharmacy Distribution Services effective April 1, 2018 through March 31, 2023. All Districts; \$39,500,000 annually for RUHS Pharmacies, FQHC, Public Health, Exclusive Care Pharmacy, and Correctional Health System Pharmacy.

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Ratify and approve Enhancement Addendum #39 to the Pharmacy Distribution Agreement between the County of Riverside, Vizient Supply, LLC, and AmerisourceBergen Drug Corporation for pharmaceutical distribution services in the amount of \$39.5 million per year effective April 1, 2018 through March 31, 2023.
  - a. RUHS Medical Center and Retail Pharmacies in the amount of \$31,200,000
  - b. RUHS – FQHC and Public Health in the amount of \$1,020,000
  - c. Exclusive Care – Rubidoux Pharmacy in the amount of \$4,380,000
  - d. RUHS Correctional Health System Pharmacy - \$2,900,000
2. Authorize the Chairman of the Board to sign the Addendum on behalf of the County

**ACTION:**

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**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Jeffries, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley  
Nays: None  
Absent: None  
Date: April 10, 2018  
xc: RUHS

Kecia Harper-Ihem  
Clerk of the Board

By:   
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 39,500,000.	\$ 39,500,000	\$ 197,500,000	
<b>NET COUNTY COST</b>				\$
<b>SOURCE OF FUNDS:</b> 79% Hospital Enterprise Funds, 11% Exclusive Care, 7.5% Correctional Health, 2.5% FQHC and Public Health			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	17/18 – 21/22

**BACKGROUND:**

**Summary**

The currently contracts with AmerisourceBergen to provide pharmaceutical drug distribution to Riverside University Health System Medical Center, Public Health Department, Department of Mental Health (DMH), Riverside University Health System Community Health Centers (FQHC), Correctional Health, and Exclusive Care.

The use of the major pharmaceutical drug distribution provider is required to provide timely and cost effective delivery of products for operation of those departments and to serve as a resource in the event of emergency. The current contract expired 7/31/2017, however AmersourceBergen has continued to provide pharmaceutical distribution services on a month-to-month basis.

Pharmaceutical distribution is never just about delivery, it's about getting the right medicines to the right patients at the right time, safely and efficiently. Every day, primary pharmaceutical distributors sustain a complex supply chain, serving as a vital link in the healthcare system between manufacturers and healthcare providers.

Primary pharmaceutical distributors purchase prescription medicines and other medical supply products directly from manufacturers for storage in warehouses and distribution centers across the country. Healthcare providers place orders with distributors for the medicines and products they need, and the distributor's process and deliver the orders daily. It is essential for the continuing treatment of patients and care for those with acute needs that the pharmaceutical supply chain is secure.

On July 17, 2012 Item 3.35, the Board of Supervisors approved award to AmerisourceBergen for the term of July 1, 2012 through June 30, 2017 in the amount of \$30 million per year.

**Impact on Residents and Businesses**

AmerisourceBergen is the primary pharmaceutical supplier for all of Riverside County's medical service locations including the Medical Center, and FQHC Clinics. Through them we procure greater than 90% of our pharmaceuticals.

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

**Additional Fiscal Information**

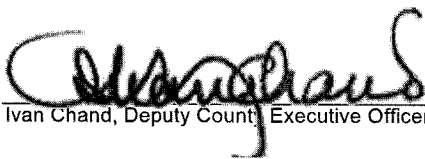
GPO awarded nominee through Vizient and added pricing enhancement for cost

**Contract History and Price Reasonableness**

On behalf of the departments/agencies that use this service, County Purchasing released a Request for Proposal (MCARC178) for these services in January 2012. Since that time, AmerisourceBergen has been awarded a contract under the Group Purchase Organization (GPO), Vizient.

Based upon the results of the Vizient competitive process, Vizient awarded seven agreements for prime vendor pharmacy distribution services and non-injectable generic product contracting to (in no particular order) AmerisourceBergen, Cardinal, McKesson, Morris & Dickson, H.D. Smith, Burlington Drug and Dakota Drug. In addition to financial value, these agreements were awarded based on the following product specification/quality factors, which were developed and weighted by the Vizient Pharmacy Distribution Council: (a) business terms, (b) distributor capabilities, and (c) adherence to terms and conditions.

AmerisourceBergen, the incumbent, was selected as responsive and offered a substantial savings over the current cost. All drug wholesalers charge a fee that is based on the percentage of the cost of the drug. The current fee is cost minus 4.91%. AmerisourceBergen is proposing a new fee of cost minus 6.60%. Based on our current annual volume this results in an annual savings of \$500,000; with no change in provider of services and is significantly better than other major wholesalers under contract with the GPO-Vizient.



Ivan Chand, Deputy County Executive Officer

4/2/2018



**ENHANCEMENT ADDENDUM #39  
 Addendum to Pharmacy Distribution Agreement (DPABC)  
 For The County of Riverside, California,  
 on behalf of Riverside University Health System**

**THIS ENHANCEMENT ADDENDUM #39** (“Addendum”) is made and entered into effective April 1, 2018 (“Effective Date”), between and among Vizient Supply, LLC, f/k/a Novation, LLC, a Delaware limited liability company (“Vizient”), The County of Riverside, a political subdivision of the State of California, on behalf of Riverside University Health System (“Member”), and AmerisourceBergen Drug Corporation, a Delaware corporation (“Distributor”). Vizient, Distributor, and Member are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

**WHEREAS**, Vizient and Distributor entered into a pharmacy distribution agreement dated May 1, 2015 (“Base Agreement”), under which Distributor agreed to distribute pharmaceuticals (the “Products”) to individual entities or groups of entities designated by Vizient to purchase under its contracts, subject to the terms and conditions of the Base Agreement;

**WHEREAS**, the Initial Term of the Base Agreement ends on April 30, 2020;

**WHEREAS**, Member (a) is eligible to participate in the Base Agreement, and (b) controls one or more “Facilities” (as defined in Paragraph 1 below); and

**WHEREAS**, Distributor would like to provide to Member certain financial enhancements, beyond those available under the Base Agreement.

**NOW THEREFORE**, in consideration of the promises and mutual obligations and undertakings set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

**1. BASE AGREEMENT; DEFINITION OF FACILITY:**

- a) The terms and conditions of the Base Agreement shall apply to all sales consummated pursuant to this Addendum, except as otherwise specifically set forth herein. In the event of a conflict between the terms and conditions of this Addendum and the Base Agreement, this Addendum shall control. Capitalized terms in this Addendum shall have the meanings given to them in the Base Agreement, unless otherwise defined herein.
- b) “Facility” means any pharmacy over which Member exercises control for the selection of a wholesale pharmaceutical distributor, whether by ownership, contract or

APR 10 2018 3.25

otherwise. A list of all Facilities as of the Effective Date, including their respective “ship to” addresses and number of deliveries per week is attached to this Addendum as Attachment 1 and is incorporated herein by reference. Member may update Attachment 1 upon the written consent of Distributor (e.g. such as via email), which consent shall not be unreasonably withheld. Upon Distributor providing such consent with a copy to Vizient, Attachment 1 shall be deemed to include the name of the pharmacy, its “ship to” address, and number of deliveries per week (whereupon such pharmacy shall become a Facility hereunder).

2. **ENHANCEMENTS:** In consideration of Member’s agreements in Paragraphs 3 (Term), 4 (Addendum Termination) and 5 (Prime Vendor) below, Distributor shall provide Member and the Facilities with the financial enhancements, including the member markup set forth on Attachment 2 (“Addendum Member Markup”).
3. **TERM:**
  - a) This Addendum shall be effective beginning on the Effective Date and continue through March 31, 2023 (the “Initial Addendum Term”). The Initial Addendum Term may be extended in writing by the Parties for up to two (2) one (1)-year renewal periods, provided the Base Agreement or a Successor Agreement (as defined in the following Paragraph) remains in effect. In no event shall such extension periods continue beyond the Term of the Base Agreement or a Successor Agreement (the Initial Addendum Term and any extension periods of the Initial Addendum Term are referred to collectively as the “Addendum Term.”).
  - b) Subject to the following Paragraph, if the Addendum Term ends after expiration of the Base Agreement (i.e., April 30, 2020, unless Vizient elects to extend the term of the Base Agreement), this Addendum shall continue in effect as long as Distributor and Vizient are continuously parties to a pharmacy distribution services agreement following the Base Agreement’s expiration, including as the result of Vizient’s award to Distributor of a successor pharmacy distribution services agreement (a “Successor Agreement”). In these circumstances: (i) this Addendum shall be read and interpreted in conjunction with the provisions of the Successor Agreement that correspond to those in the Base Agreement governing the provision of Services by Distributor to Members (the “Corresponding Provisions”), and (ii) promptly following the effective date of the Successor Agreement, Distributor will request that Vizient attach this Addendum to the Successor Agreement. For purposes of clarification, in no event shall this Addendum continue beyond the Addendum Term (as may be extended by mutual agreement of the Parties).
  - c) Notwithstanding any provision to the contrary in the prior paragraph:

i. In conjunction with the negotiation, finalization and execution of the Successor Agreement, if any, Vizient will evaluate in good faith the Successor Agreement's impact on Member by (A) comparing the terms, conditions and Member Markup generally available under the Successor Agreement to the terms, conditions, Member Markup and other enhancements available to Member under the Successor Agreement and this Addendum, including all enhancements set forth on Attachment 2 (the "Successor Agreement Comparison") and (B) comparing the Corresponding Provisions (the "Corresponding Provisions Comparison"). Upon evaluation of the Successor Agreement, and after good faith consultation with Distributor, and based on the results of the Successor Agreement Comparison and Corresponding Provisions Comparison, Vizient will notify Distributor and Member of one of the following three outcomes:

1. Successor Agreement is More Favorable for Member than Addendum: Should Vizient reasonably determine, based on the Successor Agreement Comparison, that the terms, conditions and Member Markup generally available under the Successor Agreement, when taken as a whole, are materially advantageous when compared with the terms, conditions, Member Markup and other enhancements available to Member under the Successor Agreement and this Addendum, when taken as a whole (including all enhancements set forth on Attachment 2), Member, Distributor and Vizient promptly shall enter into an amendment to this Addendum pursuant to which the terms, conditions and Member Markup generally available under the Successor Agreement shall be provided to Member in lieu of the enhancements set forth on Attachment 2 for the remainder of the Addendum Term; or

2. Successor Agreement is Less Favorable for Member than Base Agreement: Should Vizient reasonably determine, based on the Corresponding Provisions Comparison, that the applicable provisions of the Successor Agreement, when taken as a whole, are materially disadvantageous in comparison to the applicable provisions of the Base Agreement, when taken as a whole, Member shall have the unilateral right to terminate this Addendum with sixty (60) days' written notice to Distributor (with a copy to Vizient) provided such termination notice is issued no later than sixty (60) days after the effective date of the Successor Agreement. During the sixty (60) days following Member's notice of termination, Member may establish a relationship with another distributor to reasonably satisfy Member's pharmacy needs, and such relationship could cause Distributor to lose "Prime Vendor" status with Member. In this event, during the sixty (60) day notice period, Distributor may not increase the applicable Member Markup or in any other

way take away financial incentives or impose new fees on Member as a result of losing the Prime Vendor status; or

3. Successor Agreement is Neutral for Member: Should Vizient reasonably determine, based on the Successor Agreement Comparison and Corresponding Provisions Comparison, that the Successor Agreement will not materially advantage or disadvantage Member as provided in subparagraphs 1 and 2 above, respectively, this Addendum shall remain in effect without modification for the remainder of the Addendum Term.

ii. If the Base Agreement expires and is not replaced by a Successor Agreement, this Addendum will automatically and simultaneously terminate without penalty to Member.

**4. ADDENDUM TERMINATION:** In addition to Member's termination right set forth in Paragraph 3(c)(i)(2) (Successor Agreement is Less Favorable for Member than Base Agreement) above, Member or Distributor may effect an early termination of this Addendum only in the following circumstances. Any such early termination of this Addendum shall not affect the term of the Base Agreement (or any Successor Agreement).

a) **Termination for Cause.** Member or Distributor may effect an early termination of this Addendum upon the occurrence of a material breach by the other Party. The parties agree that a material breach under this Addendum shall include, but not be limited to, either party's failure to (i) perform its obligations in accordance with the terms Section 9 (Product Supply) of the Base Agreement, or (ii) pay any amount due to the other party in a timely manner. The non-breaching Party must give written notice to the breaching Party of the occurrence of such breach. The notice must describe in detail the nature of the breach. For payment breaches, the breaching party will have ten (10) days to cure its breach beginning on the date the breaching party receives the written notice and, if such breach is not cured by the expiration of this ten (10) day period, the non-breaching party may provide written notice to the breaching party that this Addendum will be terminated immediately. For all other material breaches, the breaching Party will have the opportunity to cure its breach to the reasonable satisfaction of the non-breaching Party during a sixty (60) day period beginning on the date the breaching Party receives the written notice (the "Cure Period"). In the alternative, if such breach is of a nature that it cannot be cured in sixty (60) days, the breaching Party must commence and diligently prosecute in good faith the cure of such breach within the Cure Period and cure such breach within ninety (90) days. If the breach is not cured by the expiration of the Cure Period, or the breaching Party does not cure the breach within ninety (90) days under the circumstances permitted in the foregoing sentence,

then the non-breaching Party may provide written notice to the breaching Party that this Addendum will be terminated in thirty (30) days following such notice.

- b) **Termination for Adjusted Fill Rate.** If Member experiences two (2) consecutive months of Adjusted Fill Rate for Customary Pharmacy-Related Products at ninety-two point nine percent (92.9%) or lower, even if Distributor is providing credits to Member for such Adjusted Fill Rate performance pursuant to the Agreement, as Member's sole additional remedy for Distributor's Adjusted Fill Rate performance, the Member will have the unilateral right to terminate this Addendum with thirty (30) days written notice. During the thirty (30) day notice period, Member may establish a relationship with another distributor to reasonably satisfy Member's pharmacy needs, and such relationship could cause Distributor to lose Prime Vendor status with the Member. In this event, Distributor may not increase the applicable Member Markup or in any other way take away financial incentives or impose new fees on Member as a result of losing the Prime Vendor status.
- c) **Distributor Loss of Vizient Contract.** In the event the Base Agreement or any subsequent extension or replacement (including a Successor Agreement) with Distributor expires or is otherwise terminated for any reason during its Term, this Addendum shall automatically and simultaneously terminate without penalty to Member.
- d) **Distributor or Member Insolvency.** Member or Distributor may automatically terminate this Addendum without penalty if the other Party (Member or Distributor, as applicable) becomes bankrupt or insolvent, makes an unauthorized assignment for the benefit of creditors or goes into liquidation, has proceedings initiated against it for the purpose of seeking a receiving order or winding up order, or applies to the courts for protection from its creditors.
- e) **Distributor Change of Control Event.** If Distributor experiences a "change of control" (such as a merger with another company or being acquired by another company), then Member may terminate this Addendum without penalty upon sixty (60) days' written notice.
- f) **Member Change of Control Event.** If Member experiences a "change of control" (such as a merger with another company or being acquired by another company), then Distributor may terminate this Addendum without penalty upon sixty (60) days' written notice.
- g) **Mutual Consent.** If Distributor and Member mutually agree to terminate this Addendum, then such termination will be without penalty to Member and will be effective after sixty (60) days' written notice.



5. **PRIME VENDOR:** Throughout the Addendum Term, in order to receive the Addendum Member Markup, Member must order not less than ninety percent (90%) of all dollars spent on Products by using Distributor as its prime vendor for the purchase of such products normally purchased through wholesale pharmaceutical distributors. To the extent that Distributor is unable to supply such products, those purchases shall be excluded from the ninety percent (90%) calculation.
6. **COST REPORTING:** Member will comply with all laws, including reporting or reflecting discounts, rebates and other price reductions pursuant to 42 U.S.C. §1320a-7b(b)(3)(A) on cost reports or claims submitted to federal or state healthcare programs, retaining invoices and related pricing documentation and making them available on request to healthcare program representatives. Distributor will comply with all laws, including requirements under 42 U.S.C. §1320a-7b(b)(3)(A) to (i) disclose on invoices or statements the amount of all discounts, rebates and other price reductions on Products purchased hereunder, and (ii) provide Member with notice of Member's obligations to report and disclose such discounts, rebates and other price reductions.
7. **OWN USE:** Unless otherwise permitted by law, signature of this Addendum constitutes a representation by Member that Product received at contract pricing will be used only for its own use as defined in *Abbott Laboratories v. Portland Retail Druggist Ass'n*, 425 U.S. 1 (1976). Any other use of these Products will constitute cause for immediate termination of this Addendum. A Member that is within the retail "class of trade" is not subject to this Section 7.
8. **CREDIT TERMS; PAYMENT OBLIGATIONS:** Member will abide by Distributor's standard credit terms as amended from time to time by Distributor. In addition to the late payment charges provided in the Base Agreement, in the event Member fails to make timely payment of any amounts owed and in addition to any other remedies, Distributor may withhold delivery of Products and providing services; place Member on a C.O.D. basis if Distributor has not received payment when due after giving notice by 10:00 a.m. and giving Member until 2:00 p.m. the same day for Distributor to receive payment; and/or require Member to pay part or all of any past due amount as a condition to continued service. Member's obligation to pay for Products will be absolute, unconditional and not subject to reduction, counterclaim or delay. Billing disputes must be brought to the attention of Distributor's accounts receivable department within twelve (12) months after receipt of the first statement containing the amount in dispute or, otherwise, Member will be deemed to accept the accuracy of such statement and waive its right to dispute the amount.
9. **DISCLAIMER OF WARRANTIES:** Member acknowledges that Distributor is not the manufacturer of any Products and Distributor **DISCLAIMS ALL WARRANTIES NOT**

SET FORTH IN THE BASE AGREEMENT OR THIS ADDENDUM, EXPRESS OR IMPLIED, INCLUDING THOSE OF MERCHANTABILITY, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE, FOR PRODUCTS AND SERVICES. No oral or written information provided by Distributor, its employees or other representatives will create any such warranty. Except for Distributor's indemnification obligations under the Base Agreement, in no event will Distributor be liable for any special, incidental or consequential damages in connection with or related to Products, hardware, software, including ordering software, or Services.

10. **LIMITATION OF LIABILITY:** Except with respect to Distributor's obligations for indemnification of third party claims, Distributor's liability to Member shall be limited to actual damages and Member shall not be entitled to indirect, special, consequential or punitive damages.
11. **INSURANCE:** Member shall maintain sufficient insurance to protect any unpaid inventory in its possession and shall further maintain professional liability insurance in the amounts of not less than two million dollars (\$2,000,000.00) per incident and ten million dollars (\$10,000,000.00) in the aggregate.
12. **SUSPICIOUS ORDERS; NO-REDISTRIBUTION:** Member agrees that (a) orders of prescription pharmaceutical Products that Distributor reasonably deems suspicious pursuant to Distributor's Drug Enforcement Agency-required order monitoring program may be rejected or result in immediate termination of the Addendum by Distributor upon written notice to Member and Vizient, and (b) that Member will not distribute Products to distributors, re-packagers or suppliers.
13. **CONFIDENTIALITY:** "Confidential Information" means the information in this Addendum and any other non-public information identified as confidential in writing by one Party to the other Party. Member may not use or disclose any Confidential Information, including Attachment 2, received from Distributor for any purpose (except as required by law) other than in connection with its evaluation of this Addendum. Distributor shall not prevent Member from disclosing its invoice data.
14. **ENTIRE AGREEMENT:** This Addendum, together with the Base Agreement (and, solely with respect to Member and Distributor, any credit agreement and Vizient's Standard GPO Declaration Form between Member and Distributor), constitutes the entire agreement between the Parties with regard to the subject matter hereof and supersedes all prior agreements, understandings and representations or promises exchanged by the Parties, whether verbal or written. This Addendum may not be modified except through a writing that is signed by Member, Distributor, and Vizient.
15. **EFFECT OF ELECTRONIC SIGNATURE:** This Addendum may be signed by the parties electronically. By signing this Addendum electronically, each party agrees that its

electronic signature is the legal equivalent of a manual signature on this Addendum and each party consents to be legally bound by all of this Addendum's terms and conditions with the same force and effect as if the party had signed this Addendum manually.

IN WITNESS WHEREOF, Member, Distributor, and Vizient, intending to be bound by the terms of this Addendum and having the authority to bind their respective corporations, hereby execute this Addendum by placing their signatures below:

**VIZIENT SUPPLY, LLC**

By: William H. Woodward  
Printed Name: William H. Woodward  
Title: Vice President Contracting  
Date: 3/14/18

**AMERISOURCEBERGEN DRUG CORPORATION**

By: Colby Adams  
Printed Name: Colby Adams  
Title: VP NATIONAL ACCOUNTS  
Date: 3-19-18

**THE COUNTY OF RIVERSIDE,  
CALIFORNIA, ON BEHALF OF RIVERSIDE  
UNIVERSITY HEALTH SYSTEM**

By: Chuck Washington  
Printed Name: Chuck Washington  
Title: Chairman, Board of Supervisors  
Date: APR 10 2018

**ATTEST**

By: Kecia Harper-Them  
Printed Name: Kecia Harper-Them  
Title: Clerk of the Board - Deputy  
Date: APR 10 2018

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Printed Name: Gregory P. Piramos  
Title: County Counsel  
Date: \_\_\_\_\_

**APPROVED AS TO FORM:**

By: Danielle Maland  
Printed Name: Danielle Maland  
Title: Deputy County Counsel  
Date: 3/21/18

**ENHANCEMENT ADDENDUM**  
**ATTACHMENT 1**  
**LIST OF MEMBER FACILITIES**

<b>Vizient Member ID</b>	<b>Facility Name</b>	<b>Address</b>	<b>Number of Scheduled Deliveries per Week</b>
100054598	Palm Spring Family Care Center 340B	1515 North Sunrise Way, Palm Springs, CA	5
100054600	Lake Elsinore Family Care 340B	2499 East Lakeshore Drive, Lake Elsinore, CA	5
100129312	RUHS-MC-Retail Pharmacy (Non PH WAC)	26520 Cactus Avenue, Moreno Valley, CA	11
100053211	RUHS-MC-Inpatient Pharmacy	26520 Cactus Avenue, Moreno Valley, CA	11
100096964	RUHS-MC-Inpatient Pharmacy (WAC)	26520 Cactus Avenue, Moreno Valley, CA	11
100053213	RUHS-MC-Retail Pharmacy (OP 340B)	26520 Cactus Avenue, Moreno Valley, CA	11
100089904	RUHS-MC-Retail Pharmacy (WAC)	26520 Cactus Avenue, Moreno Valley, CA	11
100089089	RUHS-MC-Retail Pharmacy (Jail WAC)	26520 Cactus Avenue, Moreno Valley, CA	11
100072490	RUHS-MC-Inpatient Pharmacy 340B	26520 Cactus Avenue, Moreno Valley, CA	11
100071638	RUHS-MC-Retail Pharmacy 340B	26520 Cactus Avenue, Moreno Valley, CA	11
100072492	RUHS-MC-Retail Pharmacy 340B	26520 Cactus Avenue, Moreno Valley, CA	11
100053231	Banning Family Care Center 340B	3055 West Ramsey, Banning, CA	5
100054597	Perris Family Care Center 340B	308 East San Jacinto Avenue, Perris, CA	5
100053219	Department of Public Health 340B	4065 County Circle Drive, Suite 412K, Riverside, CA	5
100053236	Indio Family Care Center 340B	47-923 Oasis Street, Indio, CA	5
100053232	Corona Family Care Center 340B	505 South Buena Vista Avenue, #101, Corona, CA	5
100073692	Riverside County Rubidoux Pharmacy	5256 Mission Boulevard, Riverside, CA	5
100076802	Don Schroeder Family Care Center 340B	5256 Mission Road, Attn: 340B, Riverside, CA	5
100107402	RUHS – Neighborhood Pharmacy 340B	7140 Indiana Avenue, Riverside, CA	10

100053237	RUHS – Neighborhood Pharmacy 340B	7140 Indiana Avenue, Riverside, CA	5
100052976	RUHS – Neighborhood Pharmacy 340B	7140 Indiana Avenue, Riverside, CA	10
100089905	RUHS – Neighborhood Pharmacy WAC	7140 Indiana Avenue, Riverside, CA	10
100054599	Hemet Family Care Center 340B	880 North State Street, Hemet, CA	5
100053233	Jurupa Family Care Center 340B	9415 Mission Boulevard, Riverside, CA	5
100109644	RCRMC Arlington Mental Health WAC	9990 County Farm Road, Suite 2, Riverside, CA	6
100107412	RCRMC Arlington Pharmacy 340B	9990 County Farm Road, Suite 2, Riverside, CA	6
100110136	RUHS-Behavioral Health Retail Pharmacy 340B	9990 County Farm Road, Suite 2, Riverside, CA	6
100110138	RUHS-Behavioral Health Inpatient Pharmacy WAC	9990 County Farm Road, Suite 4, Riverside, CA	6
100052977	RUHS-Behavioral Health Inpatient Pharmacy	9990 County Farm Road, Suite 4, Riverside, CA	6
100107411	RUHS-Behavioral Health Inpatient Pharmacy 340B	9990 County Farm Road, Suite 4, Riverside, CA	6

**ENHANCEMENT ADDENDUM**

**ATTACHMENT 2**

**MEMBER ENHANCEMENTS**

A. **ADDENDUM MEMBER MARKUP:** In lieu of any other price reductions available in the Base Agreement, commencing on the Effective Date for the entire duration of the Addendum Term, Member will receive the Addendum Member Markup reflected in the following grid, subject to adjustment for average total monthly Net Purchases (as defined below) and the modifiers further described herein. At the conclusion of each calendar quarter during the Addendum Term, Distributor will review Member’s purchases for the previous calendar quarter and will make adjustments to the Addendum Member Markup, if applicable, in accordance with the below price grid and modifiers. Distributor will make any appropriate prospective adjustment to the Addendum Member Markup by the thirtieth (30th) of the month following each calendar quarter (30th of April, July, October, January). Distributor will not apply any Addendum Member Markup adjustments without prior written notification to Member. For purposes of this Attachment 2, “Net Purchases” shall mean total Product purchases from Distributor less returns, rebates, credits, and late fees.

Average Total Monthly Net Purchases		30 Day PRE Pay	15 Day PRE Pay	7 Day PRE Pay	Next Day Pay	Weekly Statement Pay	Semi-Monthly Statement Pay	Monthly Statement Pay	
\$1,610,000	Up to	\$2,199,999	-6.57%	-6.52%	-6.45%	-6.53%	-6.45%	-6.33%	-6.11%
\$2,200,000	Up to	\$3,379,999	-6.60%	-6.55%	-6.48%	-6.56%	-6.48%	-6.36%	-6.14%
\$3,380,000	Up to	\$3,969,999	-6.63%	-6.58%	-6.51%	-6.59%	-6.51%	-6.39%	-6.17%
\$3,970,000	Up to	\$4,559,999	-6.66%	-6.61%	-6.54%	-6.62%	-6.54%	-6.42%	-6.20%
\$4,560,000	Up to	\$5,149,999	-6.69%	-6.64%	-6.57%	-6.65%	-6.57%	-6.45%	-6.23%
\$5,150,000	&	Above	-6.72%	-6.67%	-6.60%	-6.68%	-6.60%	-6.48%	-6.26%

B. **MINIMUM PURCHASE VOLUME:** In order to receive the Addendum Member Markup, Member’s average total monthly Net Purchases must be equal to or greater than One Million Six Hundred Ten Thousand Dollars (\$1,610,000.00).

**C. DELIVERY FREQUENCY MODIFIER:** The above Addendum Member Markup is subject to adjustment on a per-Facility basis for each Facility that is added to the Addendum pursuant to Section 1(b) following the Effective Date based upon each such Facility's average aggregate monthly Net Purchases over the prior calendar quarter and number of scheduled deliveries per week, as reflected in the following grid:

Average Aggregate Monthly Net Purchases of Facility			Number of Scheduled Deliveries per Week				
			11	6	5	3	1
\$0	Up to	\$49,999	Not Available	Not Available	0.80%	0.40%	None
\$50,000	Up to	\$99,999	Not Available	Not Available	0.20%	None	Not Available
\$100,000	Up to	\$499,999	Not Available	0.12%	None	Not Available	Not Available
\$500,000	Up to	\$999,999	0.54%	0.08%	None	Not Available	Not Available
\$1,000,000	Up to	\$4,999,999	0.18%	None	-0.04%	Not Available	Not Available
\$5,000,000	Up to	\$9,999,999	0.08%	None	-0.02%	Not Available	Not Available
\$10,000,000	Up to	\$14,999,999	0.04%	None	-0.01%	Not Available	Not Available
\$15,000,000	Up to	\$19,999,999	0.04%	None	-0.01%	Not Available	Not Available
\$20,000,000	&	Above	0.04%	None	-0.01%	Not Available	Not Available

**D. VIZIENT GENERICS PULL-THROUGH MODIFIER:** The applicable Addendum Member Markup in the above grid will be adjusted on a calendar quarter basis as described in Section A above, where (i) the numerator shall equal the sum of Member's average total Monthly Net Purchases of (A) Products from the Non-Injectable Generics Rx Program and (B) Distributor generic source Net Purchases from all accounts not attached to Contract Products (e.g., 340B and non-GPO/WAC accounts), excluding Courtesy Billed Products, and (ii) the denominator shall equal Member's average total Monthly Net Purchases of all Products, excluding Courtesy Billed Products ("Generics Pull-Through") over the prior calendar quarter, as follows:

Generics Pull-Through			Addendum Member Markup Adjustment
4.50%	to	5.49%	+0.85%
5.50%	to	6.49%	+0.55%
6.50%	to	7.49%	+0.25%
7.50%	to	8.49%	0.00%
8.50%	to	9.49%	-0.09%
9.50%	to	10.49%	-0.18%
10.50%	to	11.49%	-0.27%
11.50%	&	Above	-0.36%

As of the Effective Date of this Addendum, the Member's Generics Pull-Through is 7.97%.

- E. **CONTRACT PERCENTAGE OFF WAC MODIFIER:** Distributor shall adjust the applicable Addendum Member Markup in the above grid on a calendar quarter basis as described in Section A above based on Member's contract percentage off WAC, which is calculated based on Member's average total monthly Net Purchases (prior to application of the Addendum Member Markup), excluding Courtesy Billed Products, during the prior calendar quarter using WAC as the measurement of "Cost" less Member's actual average total monthly Net Purchases (prior to application of the Addendum Member Markup and excluding Courtesy Billed Products) during the prior calendar quarter as the numerator and WAC as the denominator (collectively, the "Contract Percentage Off WAC"), as shown below. For example, if the Member's actual average total monthly Net Purchases (prior to application of the Addendum Member Markup), other than for Courtesy Billed Products, during a calendar quarter is \$7,481,184 and the amount of these Net Purchases using WAC as the measurement of "Cost" is \$14,000,000, then the Contract Percentage Off WAC would equal 46.56% ( $(\$14,000,000 - \$7,481,184) / \$14,000,000 = 46.56\%$ ), and the applicable Addendum Member Markup will be reduced by 5 basis points (0.05%) in the immediately following calendar quarter. As of the Effective Date of this Addendum, the Member's Contract Percentage Off WAC is 38.37%.



Contract Percentage Off WAC			Addendum Member Markup Adjustment
27.50%	to	29.99%	+1.25%
30.00%	to	32.49%	+1.00%
32.50%	to	34.99%	+0.75%
35.00%	to	37.49%	+0.50%
37.50%	to	39.99%	+0.25%
40.00%	to	44.99%	0.00%
45.00%	to	49.99%	-0.05%
50.00%	to	54.99%	-0.10%
55.00%	to	59.99%	-0.15%
60.00%	&	Above	-0.20%

- F. **ACH/EFT PAYMENT MODIFIER:** In the event Member fails to use automated clearinghouse/electronic funds transfer (“ACH/EFT”) as the routine method for remitting amounts due to Distributor, Distributor shall increase the Addendum Member Markup by 0.05% (five basis points).
- G. **CSOS MODIFIER:** In the event Member fails to remit orders for Schedule II Products using Distributor’s electronic controlled substance ordering system (CSOS), Distributor shall increase the Addendum Member Markup by 0.05% (five basis points).
- H. **340B DRUG PRICING PROGRAM :** Member is a Covered Entity pursuant to Section 340B of U.S. Public Law 102-585, the Veterans Health Care Act of 1992 (the “340B Program”) and Member and Distributor agree that in the event that Member elects to add one or more Contract Pharmacies (as defined under the 340B Program) to the Addendum following the Effective Date in accordance with Section 1(b) of the Addendum, Distributor will deliver Products to each such Contract Pharmacy in accordance with the below delivery schedule (excluding holidays and warehouse physical inventory days) and will invoice Member the following fees per Contract Pharmacy, which shall be paid by Member in accordance with the payment terms that Member has elected pursuant to the Addendum:

Average Total Monthly Net Purchases per Contract Pharmacy	Number of Weekly Deliveries	Implementation Fee
\$25,000 and above	5 Deliveries Per Week (once per day, Monday through Friday)	\$150 one-time implementation fee
\$0 to \$24,999	1 Delivery Per Week (based on a mutually agreed upon schedule)	\$150 one-time implementation fee

# Contract Summary



## PHARMACY DISTRIBUTION

# DPABC

## AmerisourceBergen Pharmacy Distribution (Multisource)

- Prime Vendor Pharmacy Distribution Services
- Noninjectable Generic Products

Suppliers awarded in this category include: AmerisourceBergen (DPABC), Burlington Drug (DP9003), Cardinal (DPCARD), Dakota Drug (DP5002), H.D. Smith (DPSMTH), McKesson (DPMCK) and Morris & Dickson (DPMDX).

These replace prior agreements with the same contract numbers.

### EFFECTIVE DATE AND TERM

May 1, 2015

After the initial five-year term, two one-year extension options may be exercised at Vizient's discretion.

### PRICING STRUCTURE

#### *Distribution markup pricing*

This agreement includes base matrix pricing, which encompasses multiple pricing tiers and modifiers. Special pre-negotiated additional incentives are available for members that elect a one-year or multiyear commitment by signing a letter of participation.

#### *Noninjectable generics pricing*

This agreement covers product pricing for noninjectable generic pharmaceuticals. Pricing is available to all classes of trade.

### QUICK ACCESS:

Value and Pricing Summary  
Agreement Access  
Key Contract Terms  
Base Markup Matrix  
Noninjectable Generics  
Right to Terminate  
Award rationale

### ENROLLMENT FORM

GPO Declaration  
Form required;  
LOP required for 1- to 4-year year  
commitment

### KEY AUDIENCES

Directors of Pharmacy  
Pharmacy Buyers  
Materials Managers

### CLASSES OF TRADE

Acute Care  
Ambulatory Care  
Long-Term Care  
Home Health Care  
Physician Offices/Clinics  
Managed Care Closed  
Retail  
Education

Full contract terms are available from Marketplace|Procure.

Updated March 2017

## VALUE AND PRICING SUMMARY

### **CONTRACT VALUE**    *Price competitiveness*

Distribution markup pricing improved over the prior agreement by about 1.0 to 1.3 percent. Specific value may vary based on your institution's volume, product mix, payment terms, commitment duration, and other factors.

### *Nonfinancial value*

This contract retains several existing member rights, benefits and protections, including the following:

- Comprehensive definition of cost (markup applies to all contract and non-contract pharmaceuticals)
- Comprehensive fill rate standards
- Denied chargeback protection
- No obligation to purchase excess inventory
- Universal credit/rebill assurance
- Capped member late payment penalties
- Emergency deliveries per facility
- Returned goods policy guidelines
- No fuel surcharge
- No small order charges
- Ordering and invoicing requirements
- Customer service and sales representative duties

### *New contract features and services*

- Clear product stocking requirements and specific standards for NOVAPLUS®
- Higher fill rate thresholds, liquidated damages for underperformance and new measurement categories for the following:
  - Adjusted fill rate (for contract, NOVAPLUS, and noninjectable generic products)
  - Raw fill rate
- Lower base markup pricing and expanded tiers
- Pre-negotiated multiyear incentives
- Alternate distribution center sourcing
- Specific delivery windows and member remedies for recurring late deliveries
- Increased patronage, as applicable
- Firm markup pricing (no increases permitted)
- Bolstered noninjectable generic market competitive language
- Noninjectable generics – same price for all classes of trade

### *Other contract changes*

- Adjusted Fill Rate – includes new modifier for purchase quantity that exceeds historical demand
- Emergency Deliveries for Alternate Sites – includes new requirement that each alternate site member location's average purchase volume from AmerisourceBergen exceed \$100,000 per month

### *Product stocking requirements*

AmerisourceBergen will warehouse quantities necessary to satisfy members' purchasing requirements. Purchasing requirements will be based on members' purchase history, as well as the estimated monthly usage data that members provide with all stocking requests. AmerisourceBergen will provide members with a written procedure or an electronic application for member's product stocking requests. Subject to product availability and supplier lead times, AmerisourceBergen will place products in stock at the local distribution center within 10 business days of the date of the member's request.

**PRICING**

***Base markup matrix pricing***

See key terms for distributor base member markup matrix pricing and markup modifiers.

***Noninjectable generics pricing***

Current product pricing is available through the distributor's order entry system.

**PRICE PROTECTION**

Markup prices are firm for the entire term of the agreement, but they may be subject to reduction due to market conditions.

Noninjectable generic products are covered by contractual market competitive requirements. In addition, the distributor must promptly respond to market intelligence provided by a member or Vizient.

## AGREEMENT ACCESS

**AGREEMENT ACCESS** To activate a tier online: From the contract details page for this agreement on Marketplace|Procure, click the "Request a New Tier" link.

Members wanting to commit to one-year to multi-year commitments must sign a letter of participation.

Activation requirements for members include the following:

- Be active Vizient Pharmacy Program participant.
- Open an account with AmerisourceBergen.
- Complete GPO Declaration Form.
- Coordinate go-live date with distributor account representative. (Distributors generally require 30 to 60 days advance notice to allow for proper contract eligibility verification and price loading.)

Members may access base matrix pricing without making a duration commitment to the distributor. However, certain additional discounts are available for members that elect to make commitments of one year or greater. These options assume the member is not already subject to existing contractual obligations with the distributor.

## KEY CONTRACT TERMS

### PRIME VENDOR VS. SECONDARY VENDOR SERVICES

#### *Prime Vendor*

AmerisourceBergen's contract is for prime vendor pharmacy distribution services.

#### *Secondary Vendor*

The prices and terms in AmerisourceBergen's contract do not apply to secondary accounts, including AmerisourceBergen's fill rate commitment and fill rate performance damages.

AmerisourceBergen's general policy is to not open secondary accounts. AmerisourceBergen will evaluate each request for secondary services, and if it decides to open the account, AmerisourceBergen and the member will mutually agree on the prices and fees.

### DEFINITION OF 'COST'

#### *How and When AmerisourceBergen Applies a Member's Markup*

Definition of cost for contract priced products:

- Vizient product contract bid price plus member's markup percentage

Definition of cost for non-contract-priced products:

- Product supplier's wholesale acquisition cost (WAC) plus member's markup percentage

Definition of cost for "specially priced" products:

- The following "specially priced" products are exceptions to the above definition of cost. AmerisourceBergen can apply a different markup to the non-contract products in the following categories:
  - Health and beauty care products, including cosmetic products
  - General merchandise (i.e. food, nutritionals, gift merchandise, and school and office supplies)
  - Durable medical equipment/home health care items
  - AmerisourceBergen's own private-label branded products
  - Large-volume (i.e., 500 milliliters or larger) parenterals and I.V. bags
  - Disposable medical or surgical supplies not typically purchased or dispensed by member's pharmacies or used by member's pharmacies to compound or prepare prescriptions

### TAXES

AmerisourceBergen will pass on taxes, as allowed by law, and will include the tax amount in the line-item invoice pricing.

### DROP-SHIPPED AND COURTESY-BILLED PRODUCTS

Drop-shipped products are shipped to a member directly from a manufacturer and billed through AmerisourceBergen. Courtesy-billed products are shipped to a member directly from an affiliate of AmerisourceBergen and billed through AmerisourceBergen. Both drop-shipped and courtesy-billed products will be priced at zero markup (cost plus 0 percent). AmerisourceBergen may add to the billed amount any supplier-imposed charges for the drop shipment (including extra shipping and handling charges, if any).

AmerisourceBergen will apply a markup only in the following circumstances:

- In the event AmerisourceBergen elects to no longer carry a product in a DC (drop-shipments only)
- If a DC is out of stock of a product (drop-shipments only)
- If AmerisourceBergen chooses to delegate fulfillment of a product from one of its affiliates (courtesy billed products only)

Drop-shipped and courtesy-billed invoices will be included in total purchase volume. All drop shipments and courtesy billed products, including plasma products, invoiced by AmerisourceBergen will be added to the member's total purchase volume for the purposes of slotting the member in the member markup matrix.

### PAYMENT TERM OPTIONS

For all payment plans, funds must be received by AmerisourceBergen at the designated remittance address on or before the dates due. Any service charges on past due amounts will accrue only on the unpaid balance at a daily rate equal to 1.5 percent per month (18 percent annual percentage rate) or the maximum allowed by law, whichever is less. In computing late charges, amounts due and owing

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DPABC

to member by AmerisourceBergen shall be offset against the member's past due amount prior to imposition of the applicable late charge.

The following payment terms will be made available to members so long as justified under AmerisourceBergen's general credit policies. Availability of payment terms is subject to distributor credit approval. A member may elect to move to another payment term by providing written notice to AmerisourceBergen and subject to credit approval. AmerisourceBergen reserves the right to adjust pricing to the term that most closely matches a member's demonstrated payment history.

**Regular Payment Terms**

- Next day pay – Member will pay AmerisourceBergen by wire transfer or electronic funds transfer no later than the business day following each invoice date and will provide AmerisourceBergen with a wire transfer confirmation number by 1 p.m. local time on each such due date.
- Seven-day invoice payment – Each invoice is due seven days from its invoice date.
- Weekly statement payment – Purchases invoiced Saturday through Friday are due on the following Friday.
- 15-day invoice payment – Each invoice is due 15 days from its invoice date.
- Semi-monthly statement payment – Purchases invoiced from the first through the 15th of the month are due the 25th of the month. Purchases invoiced from the 16th through the end of the month are due on the 10th of the following month. AmerisourceBergen shall promptly issue a statement to member after the close of each billing period.
- 30-day invoice payment – Each invoice is due 30 days from its invoice date.
- Monthly statement payment – Purchases invoiced from the first through the end of the month are due the 10th of the following month. AmerisourceBergen shall promptly issue a statement to member after the close of each billing period.
- 45-day invoice payment – Each invoice is due 45 days from its invoice date.
- 45-day statement payment – Purchases invoiced from the first of this month through the 15th of the following month are due the 25th of the following month. Purchases invoiced from the 16th of the following month through the end of the following month are due on the 10th of the month subsequent to the following month. AmerisourceBergen shall promptly issue a statement to member after the close of each billing period.

**Prepayment Terms**

- 45-day prepay – Five business days prior to receiving the markup associated with this payment term, member will provide to AmerisourceBergen a prepay deposit for an estimated 45 days' purchases.
- 30-day prepay – Five business days prior to receiving the markup associated with this payment term, member will provide to AmerisourceBergen a prepay deposit for an estimated one month's purchases.
- 15-day prepay – Five business days prior to receiving the markup associated with this payment term, member will provide to AmerisourceBergen a prepay deposit for an estimated half-month's purchases.
- Seven-day prepay – Five business days prior to receiving the markup associated with this payment term, member will provide to AmerisourceBergen a prepay deposit for an estimated one week's purchases.

After making the above respective prepayment deposit, member will pay invoices in accordance with the semi-monthly statement payment terms described above.

**Quarterly Adjustments to the Prepayment Deposit**

At the conclusion of each calendar quarter, AmerisourceBergen will evaluate the member's prepay deposit and compare the deposit with the member's average preceding three month's purchases.

Should member's actual average purchase volume exceed the deposit amount, AmerisourceBergen shall provide member with the documented calculation and also invoice member for the difference needed to align the deposit amount with the actual average purchase volume. Such prepay deposit invoice amount shall be paid to AmerisourceBergen no later than 15 days from the invoice date.

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Should member's actual average purchase volume be less than the deposit amount, AmerisourceBergen shall provide member with the documented calculation and adjust the deposit by issuing a credit-on-account to member needed to align the deposit amount with the actual average purchase volume.

**FILL RATE COMMITMENT AND DAMAGES**

AmerisourceBergen adjusted fill rate is calculated by piece ordered by the member (not by invoice line). This is a more strict calculation compared with the industry's normal calculation by invoice line because it holds AmerisourceBergen fully responsible for partial shipments. For example: 10 bottles of 100 tablets is 10 pieces, not 1,000 pieces, and not one piece.

AmerisourceBergen adjusted fill rate is calculated using the following formula:

$$\frac{A - B}{A - (C + D + E + F + G)} \times 100$$

A =	Number of pieces ordered
B =	Number of pieces not shipped by AmerisourceBergen
C =	Number of pieces not shipped by AmerisourceBergen due to supplier backorder, supplier limiting supply, supplier discontinuing the product, supplier product recall* or in the event AmerisourceBergen places a product on national allocation**.
D =	Number of pieces supplied through automatic substitution or delivered to member within 24 hours at no additional charge to member
E =	Number of pieces not stocked at the local AmerisourceBergen DC
F =	Number of pieces reordered by a member within three business days of such member's order of the same AmerisourceBergen temporarily-out-of-stock item
G =	Number of pieces for which member's usage exceeds 150 percent of the member's average weekly volume during the preceding three-month period

\* Within 10 business days of a request by a member or Vizient, AmerisourceBergen will provide documentation of a supplier's product backorder, limiting supply, discontinuance or recall of a product.

\*\* In the event AmerisourceBergen places a product on national allocation for all members and such allocation impacts the adjusted fill rate calculation, AmerisourceBergen will notify Vizient within five business days and discuss in good faith the reasons for, and expected duration of, such allocation. In addition, AmerisourceBergen will provide Vizient with a weekly report of all products subject to such allocation.

AmerisourceBergen raw fill rate is calculated using the following formula:

$$(B/A) \times 100$$

A =	Number of pieces ordered
B =	Number of pieces received

**Raw and Adjusted Fill Rates and Damages for Under Performance**

- Raw fill rate – AmerisourceBergen shall maintain a monthly aggregate raw fill rate of at least equal to the lesser of 1) 85 percent or 2) two full percentage points below the national distributor baseline.
- Adjusted fill rate 94.9-97.9 percent for any month – AmerisourceBergen will credit the member equal to 0.25 percent of such member's total net purchases in that month.
- Adjusted fill rate below 94.9 percent for any month – AmerisourceBergen will credit the member equal to 0.50 percent of such member's total net purchases in that month.
- AmerisourceBergen will calculate and report the monthly adjusted fill rate for each member and for Vizient nationally.



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- Any damages due to member for failure to meet adjusted fill rates will be paid as an AmerisourceBergen credit-on-account to the affected members within 40 days following the end of each month.
- To qualify for AmerisourceBergen's fill rate damages, all three of the following conditions must be met:
  - Member must have average purchases of at least \$50,000 per month.
  - Member must have purchased from AmerisourceBergen for longer than 60 days.
  - Member must use AmerisourceBergen for at least 90 percent of the member's pharmaceutical needs (prime vendor).

#### **COMMITMENT TO STOCK PRODUCTS**

##### ***Requesting New Products to be Stocked in Your AmerisourceBergen DC***

If a member requests a new product to be stocked at the local DC, the member will need to provide AmerisourceBergen with a reasonable estimate of the quantity to be purchased each month.

Subject to product availability and supplier lead times, AmerisourceBergen agrees to have products in stock within 10 business days of the date of a member's request or the date of receipt of Vizient's notification of newly awarded generic products that either replace existing Vizient contract products or are in addition to Vizient-awarded generic products.

##### ***Minimum Six Months Until Product Expiration Date***

AmerisourceBergen will sell products with at least six months dating, unless such dating is not available from the supplier. In the event that the only product available has less than six months dating, AmerisourceBergen will notify members of the condition, and each member may choose on a case-by-case basis whether less-than-six-months dating is acceptable.

##### ***Products That Are Out of Scope for Stocking***

AmerisourceBergen is not required to stock products that are not typically dispensed by a member's pharmacy or used by a member's pharmacy to compound or prepare prescriptions.

#### **SCHEDULED DELIVERIES**

##### ***AmerisourceBergen's General Commitments***

- AmerisourceBergen's will make scheduled deliveries in boxes or clean, reusable totes, using its own transportation vehicles, contracted third-party couriers or common carriers.
- AmerisourceBergen will pay the freight for all scheduled deliveries. Extremely remote geographies (such as U.S. Virgin Islands, Hawaii, Alaska, Guam and Puerto Rico) may be charged a delivery fee commensurate with the courier's charge to AmerisourceBergen to make the deliveries.
- AmerisourceBergen provides deliveries Monday through Friday, once per day, unless otherwise mutually agreed upon by member and AmerisourceBergen.
- AmerisourceBergen will make commercially reasonable efforts to make each delivery within one hour of the regularly scheduled time. AmerisourceBergen commits to working with each member to achieve delivery times that meet the member's needs. If a member's order is delivered more than 90 minutes after the scheduled delivery time more than two times in any calendar month, commencing on the third late delivery, AmerisourceBergen will credit the member 0.05 percent of the member's late delivery total. Late deliveries do not apply to deliveries that are late due to circumstances reasonably outside AmerisourceBergen's or the courier's control, deliveries outside of the continental U.S. or Puerto Rico, emergency deliveries, or to orders received after the applicable DC's order transmission deadline.
- AmerisourceBergen will communicate to members in a timely manner any changes or delays to delivery times.
- AmerisourceBergen agrees to provide adequate security for the transport of controlled substances.
- AmerisourceBergen agrees to deliver temperature-sensitive products in insulated containers capable of maintaining the appropriate temperature during transport.
- AmerisourceBergen will use its best efforts to deliver to members within one hour of the regularly scheduled delivery time in cases of *force majeure* events.
- AmerisourceBergen does not deliver on warehouse inventory days or holidays. AmerisourceBergen will publish the holiday schedule every January. Recognized holidays include; Memorial Day, July 4, Labor Day, Thanksgiving, Christmas and New Year's. Warehouse inventory days may not be more frequent than two days per year, and AmerisourceBergen will provide members 60 days' written notice of the inventory day.

#### **EMERGENCY DELIVERIES UPDATE**

AmerisourceBergen will provide four no-charge emergency deliveries per month per acute care member facility. For each member location that is an alternate site that has an average purchase volume from AmerisourceBergen exceeding \$100,000 per month,

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AmerisourceBergen will provide two no-charge emergency deliveries per month. Beginning with an acute member's fifth emergency delivery and alternate site member's third emergency delivery in a given month, AmerisourceBergen will charge the member a \$50 handling fee plus the actual shipping and handling costs incurred by AmerisourceBergen to make the delivery during normal business hours and \$200 handling fee plus the actual shipping and handling costs to make the delivery all other times.

**Emergency Delivery Situations**

- Weekend delivery from DC
- Holiday delivery from DC
- Contacting DC on a business day but prior to next scheduled delivery, and needing a product delivered urgently to a member's pharmacy
- Contacting DC on a business day but after order transmission deadline to add on a product or adjust a quantity
- Overnight or ground shipment of product, excluding product that requires overnight (i.e. refrigerated or frozen product) from a DC in AmerisourceBergen's network, but not from the member's assigned primary DC.

**ALTERNATE DISTRIBUTION CENTER (ADC) SOURCING**

In the event a contract product is not available at the member's designated distribution center at the time a member places an order, and such product is available at any other distribution center in the distributor's network, within 24 hours, AmerisourceBergen must, within 24 hours of member's confirmation, ship the product to member from the alternate DC. ADC sourcing is subject to applicable laws, rules and regulations, and does not apply to non-contract products of any type, contract products that are controlled substances, over-the-counter items, products on allocation and any products not subject to stocking requirements under this agreement. ADC sourcing is not considered an emergency delivery and is only available to members within the continental U.S.

**WILL-CALL ORDERS**

AmerisourceBergen does not offer this option for will-call orders.

**BILLING CORRECTIONS**

**Price Overcharges**

AmerisourceBergen will research any member-reported price overcharges and respond with findings within five business days of receipt of the request. If the research reveals the member was overcharged, AmerisourceBergen will promptly issue a credit and rebill for the difference or the entire original purchase.

**Global Correction for Overcharges**

In the event AmerisourceBergen discovers a price overcharge on a Vizient contract product or a NOVAPLUS product, AmerisourceBergen will issue the credit and rebills automatically for all overcharged members throughout the U.S. AmerisourceBergen has committed that this process will be automatic and will not be dependent on each member requesting the correction.

**Price Undercharges (also Known as Add-Bills)**

Add-bills are a type of billing correction resulting from a contract product chargeback that is ultimately uncollectible from supplier despite AmerisourceBergen's good faith efforts to collect.

- For Vizient contracts (including tiered/committed contracts, and DSH inpatient contracts), the member will only be responsible for this type of billing correction if AmerisourceBergen invoices the credit and rebill no later than 60 days from the product's original invoice date.
- For all other types of contracts (including local contracts, 340b/PHS outpatient pharmacy contracts, AmerisourceBergen's own generics contracts, supplier backup contracts, etc.), the member will be responsible for this type of billing correction if AmerisourceBergen invoices the credit and rebill no later than 60 days from the first date the supplier rejects the chargeback.

**RETURNED GOODS POLICY**

Any member can return products to AmerisourceBergen in accordance with the terms set forth in AmerisourceBergen's return goods policy. AmerisourceBergen will provide Vizient with an updated return goods policy whenever it changes, any changes to the policy will not have a significant impact to members.

Members can request a full copy of the returns good policy from AmerisourceBergen's account representative.

## ORDERING TECHNOLOGY

### **Ordering Hardware**

Included as part of member's products and services, AmerisourceBergen will provide the option to use the following systems to create, manage and transmit orders:

- At AmerisourceBergen's reasonable discretion, hand-held transmission device or mobile device application, in either case with bar code scanning capability
- Secure Internet-based ordering application

### **Ordering Software**

At no additional charge to members, AmerisourceBergen will provide each member with access to an Internet-based order entry system (PassPort).

### **Electronic Data Interchange (EDI)**

AmerisourceBergen will not impose additional fees on members that choose to use EDI as the mechanism to transmit their orders to AmerisourceBergen and receive order confirmations from AmerisourceBergen. Members using EDI must provide their own EDI software (will not be provided by AmerisourceBergen).

### **Minimum Functionality in AmerisourceBergen's PassPort Order Entry System:**

- Product catalog that includes the following:
  - All products stocked at the primary DC assigned to service the member
  - All Vizient contract-priced products, including NOVAPLUS products, visible to members, even if a contract-priced product is not stocked in the primary DC assigned to service the member
  - All Vizient private label products clearly labeled as such in the catalog
  - Option for member to designate supplier agreements with highest priority in ordering system hierarchy/sequencing
- Product catalog that can be searched by any of the following data elements:
  - NDC
  - AmerisourceBergen product number
  - AmerisourceBergen product description or product's label description; such description will include product's name, strength, size, form and packaging type (such as unit-dose)
  - Generic name
  - Therapeutic class name
- Product catalog contains the following data elements for each product:
  - NDC
  - AmerisourceBergen product number
  - AmerisourceBergen product description or product's label description; such description will include product's name, strength, size, form and packaging type (such as unit-dose)
  - Generic name
  - Therapeutic class name
  - Orange Book bioequivalence code
  - Indicator if product is prescription or over the counter
  - Indicator if product is a controlled substance, and if so, which class
  - Supplier name
  - Average wholesale price
  - Member's cost (inclusive of member markup)
  - Member's cost per dose (inclusive of member markup)
  - For contract priced products, indicator of contract type, such as group purchasing organization, tiered pricing and local/individual pricing. AmerisourceBergen must clearly identify which contract prices are from AmerisourceBergen's own contracts and which are from supplier's "backup" or blanket contracts.
  - For contract priced products, the date the price started and the date the price is expiring
  - Quantity on-hand at distribution center
- Ability to order a product with zero inventory on hand – System will allow members to order a product even if there is zero quantity on hand at the primary DC.

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It might seem counterintuitive to order a product you know is not in stock, but it is important because the order will create a permanent record of your intention by showing an omit and the reason the product was out of stock (supplier backorder, recall, AmerisourceBergen temp-out, etc.). An omit in a member's purchase history record is essential if:

- A member wants to claim failure to supply reimbursement from the contracted supplier when a more expensive alternative had to be ordered
- A member wants to have a more true fill rate calculated by AmerisourceBergen, and if fill rate performance is under the minimum, receive a damage payment from AmerisourceBergen
- A member wants Vizient to understand that a NOVAPLUS product was ordered and unavailable due to being out-of-stock, and therefore, count that attempted purchase as a compliant purchase (absolutely necessary for Vizient to accurately calculate a member's compliance to the NOVAPLUS portfolio)
- Order source – System will accept the download of orders from the AmerisourceBergen-supported hand-held ordering system. System will also accept imported orders from a flat file format that will be specified by AmerisourceBergen.
- Contract compliance order review – System has the option to automatically review orders and suggest contract product alternatives when non-contract products are ordered. The system will also compare ordered quantities to the member's normal order patterns and provide warnings for extraordinarily large order quantities.
- Real-time inventory check – Members can use the system to check inventory availability real-time at their assigned primary DC. This query can be done for a single product or multiple products.
- Inventory commitment – Members can place orders and receive a committed inventory quantity for each product no later than 20 minutes from the time the order was placed.
- Reasons for omits provided – In the event an ordered product is not available, the system will inform the member of the reason for the unavailability and provide an easy mechanism to locate generically equivalent products.
- System's product and price databases are updated daily – Price changes made in AmerisourceBergen's contract administration system will be reflected the next morning in AmerisourceBergen-provided ordering system.
- Price Change Reports – The system can create reports, as often as daily, showing member's cost changes. Member can limit the price change report results to show only those products that it has purchased in the past, or only those products with a contract price change, or only those products with significant price changes. (Percent of change that qualifies as significant will be user-defined.)
- Access – Members can access the system via multiple logins and each login will have a separate password and secure access. Members can designate which staff can place orders and which can only search the system.

## REPORTING TECHNOLOGY

At no additional charge to members, AmerisourceBergen will provide each member with access to AmerisourceBergen's Internet-based reporting system. This system includes the following functionality and features:

- 24-months of purchase history – AmerisourceBergen's purchase history and management reporting systems include access to 24 months of purchase history, detailed by month, to include actual prices paid and quantities purchased and quantities returned or credited, contract indicator and product description.
- Reporting product database – The reporting system database will include all products in the ordering system's catalog in addition to the products with purchase history.
- Single account and integrated delivery network roll-up reporting – The reporting system will accommodate IDN members and create reports for a single account, for multiple accounts to be defined ad hoc by the health care system and the option to combine purchases of all accounts associated with the IDN.
- Advanced report writing – AmerisourceBergen's purchase history and management reporting systems include an advanced report writing function that members can use to create and customize reports as needed. Examples of reports that are available include the following:
  - 80/20 velocity report
  - Purchases by supplier
  - Purchases by therapeutic class
  - Purchases by generic name
  - Controlled substance purchases
  - Contract-priced product listing, with delineation by contract type
  - Purchases by product category, such as branded vs. generic products, single source vs. multiple source product and prescription vs. non-prescription products
  - Purchases by Orange Book bioequivalence codes

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- User-selected time periods – The reporting system will accommodate user defined query parameters, including time period of purchase history and the ability to select items.
- Viewing, printing, and exporting report results – Report output can be viewed on-screen, printed, or downloaded/exported in a standard format that is easily imported into Microsoft Excel. The reporting system will accommodate multiple logins and each login will have a secure password and secure access.

**CUSTOMER SERVICE AND FIELD REPRESENTATIVE COMMITMENTS**

***AmerisourceBergen Field Representatives***

AmerisourceBergen will assign a field sales representative to serve as each member's primary liaison to AmerisourceBergen. AmerisourceBergen will consult with each member to identify the member's policies relating to access to facilities and personnel, but AmerisourceBergen staff will ONLY comply with such policies if doing so will not violate any of AmerisourceBergen's human resource policies. AmerisourceBergen's field representatives will provide timely follow-up and effective problem solving in response to member requests. In addition, AmerisourceBergen will provide members with monthly purchase volume of at least \$100,000 (unless otherwise agreed upon by AmerisourceBergen) the following:

- scheduled on-site sales calls on a specific timetable that satisfies the needs of the member
- on-site member staff training on AmerisourceBergen's technology and programs, optimal pharmacy purchasing and inventory management methodology
- scheduled quarterly business reviews with member's pharmacy management and pharmacy purchasing staff  
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***AmerisourceBergen Customer Service***

AmerisourceBergen will provide telephone customer service to respond promptly to member's routine questions and issues during normal business hours. AmerisourceBergen will train its telephone customer service agents in AmerisourceBergen's operations, pharmacy purchasing, price verification research, and inventory supply research policies and procedures.

- **Customer Service.** Customer CARE Contact Center operations are located in Naperville, Illinois and Roanoke, Texas and are equipped to manage all calls from across the country. The Customer CARE Contact Center offers consistency of service and processes with significant benefits for all customers, addressing day-to-day inquiries including, but not limited to, order processing, stock status, delivery issues, logistical inquiries, and product information.
- **Contract Price Administration and Credit and Rebill Processing.** Distributor customer service representatives are NOT responsible for loading and maintaining contract pricing for customers, nor do they tie AmerisourceBergen customers to the correct contract portfolios. The contract portfolios are maintained at a central AmerisourceBergen office in New Jersey. If an AmerisourceBergen customer has a contract price problem, the issue is researched by the distributor's customer service, and then passed to AmerisourceBergen's centralized contract administration department. If a credit and rebill is needed, that process is completed by the Credit and Rebill department. This offers AmerisourceBergen customers the advantages of consistency and expert-level processing by a team that only handles credit and rebills.

***Markup Matrix***

The member markup for each member shall be calculated by first determining the "Base Markup" (as defined in the table below, referred to herein as the "Base Markup Matrix"), and then applying all markup modifiers.

Base markup is a factor of the member's "Average Aggregate Monthly Net Purchases Volume" (as listed in the Base Markup Matrix on the following page) and member payment terms. Net Purchases shall mean total purchases from AmerisourceBergen less returns, credits, rebates and late fees. Base markup for a member or IDN will be determined by combining the average aggregate monthly purchase volume of all facilities of a member or IDN. AmerisourceBergen will calculate average aggregate monthly purchases volume for members and IDNs at the conclusion of each calendar quarter.

The base markup matrix below assumes a standard number of weekly scheduled deliveries to a member or IDN, as listed in the column titled "Deliveries per Week". Members and IDNs may decrease or increase the number of scheduled deliveries, provided, however, such election may decrease or increase such member's final member markup.

BASE MARKUP MATRIX

Deliveries Per Week	Member or IDN Average Aggregate Monthly Purchases Volume	PRE-Pay				Next Day Pay	7-day Pay		15-day Pay		30-day Pay		45-day Pay		State-ment
		45 day	30 day	15 day	7 day		Invoice	State-ment	Invoice	State-ment	Invoice	State-ment	Invoice	State-ment	
3	\$1 - \$49,999	-1.58%	-1.48%	-1.47%	-1.37%	-1.46%	-1.42%	-1.37%	-1.31%	-1.25%	-0.67%	-1.03%	0.38%	-0.49%	
3	\$50,000 - \$99,999	-2.58%	-2.48%	-2.47%	-2.37%	-2.46%	-2.42%	-2.37%	-2.31%	-2.25%	-1.67%	-2.03%	-0.62%	-1.49%	
5	\$100,000 - \$199,999	-3.08%	-2.98%	-2.97%	-2.87%	-2.96%	-2.92%	-2.87%	-2.81%	-2.75%	-2.17%	-2.53%	-1.12%	-1.99%	
5	\$200,000 - \$299,999	-3.38%	-3.28%	-3.27%	-3.17%	-3.26%	-3.22%	-3.17%	-3.11%	-3.05%	-2.47%	-2.83%	-1.42%	-2.29%	
5	\$300,000 - \$399,999	-3.68%	-3.58%	-3.57%	-3.47%	-3.56%	-3.52%	-3.47%	-3.41%	-3.35%	-2.77%	-3.13%	-1.72%	-2.59%	
5	\$400,000 - \$499,999	-3.88%	-3.78%	-3.77%	-3.67%	-3.76%	-3.72%	-3.67%	-3.61%	-3.55%	-2.97%	-3.33%	-1.92%	-2.79%	
5	\$500,000 - \$599,999	-4.08%	-3.98%	-3.97%	-3.87%	-3.96%	-3.92%	-3.87%	-3.81%	-3.75%	-3.17%	-3.53%	-2.12%	-2.99%	
5	\$600,000 - \$699,999	-4.13%	-4.03%	-4.02%	-3.92%	-4.01%	-3.97%	-3.92%	-3.86%	-3.80%	-3.22%	-3.58%	-2.17%	-3.04%	
5	\$700,000 - \$799,999	-4.18%	-4.08%	-4.07%	-3.97%	-4.06%	-4.02%	-3.97%	-3.91%	-3.85%	-3.27%	-3.63%	-2.22%	-3.09%	
5	\$800,000 - \$899,999	-4.23%	-4.13%	-4.12%	-4.02%	-4.11%	-4.07%	-4.02%	-3.96%	-3.90%	-3.32%	-3.68%	-2.27%	-3.14%	
5	\$900,000 - \$999,999	-4.28%	-4.18%	-4.17%	-4.07%	-4.16%	-4.12%	-4.07%	-4.01%	-3.95%	-3.37%	-3.73%	-2.32%	-3.19%	
6	\$1,000,000 - \$1,249,999	-4.33%	-4.23%	-4.22%	-4.12%	-4.21%	-4.17%	-4.12%	-4.06%	-4.00%	-3.42%	-3.78%	-2.37%	-3.24%	
6	\$1,250,000 - \$1,499,999	-4.36%	-4.26%	-4.25%	-4.15%	-4.24%	-4.20%	-4.15%	-4.09%	-4.03%	-3.45%	-3.81%	-2.40%	-3.27%	
6	\$1,500,000 - \$1,999,999	-4.39%	-4.29%	-4.28%	-4.18%	-4.27%	-4.23%	-4.18%	-4.12%	-4.06%	-3.48%	-3.84%	-2.43%	-3.30%	
6	\$2,000,000 - \$2,499,999	-4.42%	-4.32%	-4.31%	-4.21%	-4.30%	-4.26%	-4.21%	-4.15%	-4.09%	-3.51%	-3.87%	-2.46%	-3.33%	
6	\$2,500,000 - \$2,999,999	-4.45%	-4.35%	-4.34%	-4.24%	-4.33%	-4.29%	-4.24%	-4.18%	-4.12%	-3.54%	-3.90%	-2.49%	-3.36%	
6	\$3,000,000 - \$3,499,999	-4.48%	-4.38%	-4.37%	-4.27%	-4.36%	-4.32%	-4.27%	-4.21%	-4.15%	-3.57%	-3.93%	-2.52%	-3.39%	
6	\$3,500,000 - \$3,999,999	-4.51%	-4.41%	-4.40%	-4.30%	-4.39%	-4.35%	-4.30%	-4.24%	-4.18%	-3.60%	-3.96%	-2.55%	-3.42%	
6	\$4,000,000 - \$4,499,999	-4.54%	-4.44%	-4.43%	-4.33%	-4.42%	-4.38%	-4.33%	-4.27%	-4.21%	-3.63%	-3.99%	-2.58%	-3.45%	
6	\$4,500,000 - \$4,999,999	-4.57%	-4.47%	-4.46%	-4.36%	-4.45%	-4.41%	-4.36%	-4.30%	-4.24%	-3.66%	-4.02%	-2.61%	-3.48%	
6	\$5,000,000 - \$5,499,999	-4.60%	-4.50%	-4.49%	-4.39%	-4.48%	-4.44%	-4.39%	-4.33%	-4.27%	-3.69%	-4.05%	-2.64%	-3.51%	
6	\$5,500,000 - \$5,999,999	-4.63%	-4.53%	-4.52%	-4.42%	-4.51%	-4.47%	-4.42%	-4.36%	-4.30%	-3.72%	-4.08%	-2.67%	-3.54%	
6	\$6,000,000 - \$6,499,999	-4.66%	-4.56%	-4.55%	-4.45%	-4.54%	-4.50%	-4.45%	-4.39%	-4.33%	-3.75%	-4.11%	-2.70%	-3.57%	
6	\$6,500,000 - \$6,999,999	-4.69%	-4.59%	-4.58%	-4.48%	-4.57%	-4.53%	-4.48%	-4.42%	-4.36%	-3.78%	-4.14%	-2.73%	-3.60%	
6	\$7,000,000 - \$7,499,999	-4.72%	-4.62%	-4.61%	-4.51%	-4.60%	-4.56%	-4.51%	-4.45%	-4.39%	-3.81%	-4.17%	-2.76%	-3.63%	
6	\$7,500,000 - \$7,999,999	-4.75%	-4.65%	-4.64%	-4.54%	-4.63%	-4.59%	-4.54%	-4.48%	-4.42%	-3.84%	-4.20%	-2.79%	-3.66%	
6	\$8,000,000 - \$8,499,999	-4.78%	-4.68%	-4.67%	-4.57%	-4.66%	-4.62%	-4.57%	-4.51%	-4.45%	-3.87%	-4.23%	-2.82%	-3.69%	
6	\$8,500,000 - \$8,999,999	-4.81%	-4.71%	-4.70%	-4.60%	-4.69%	-4.65%	-4.60%	-4.54%	-4.48%	-3.90%	-4.26%	-2.85%	-3.72%	
6	\$9,000,000 - \$9,499,999	-4.84%	-4.74%	-4.73%	-4.63%	-4.72%	-4.68%	-4.63%	-4.57%	-4.51%	-3.93%	-4.29%	-2.88%	-3.75%	
6	\$9,500,000 - \$9,999,999	-4.87%	-4.77%	-4.76%	-4.66%	-4.75%	-4.71%	-4.66%	-4.60%	-4.54%	-3.96%	-4.32%	-2.91%	-3.78%	
6	\$10,000,000 - \$10,999,999	-4.90%	-4.80%	-4.79%	-4.69%	-4.78%	-4.74%	-4.69%	-4.63%	-4.57%	-3.99%	-4.35%	-2.94%	-3.81%	
6	\$11,000,000 - \$11,999,999	-4.93%	-4.83%	-4.82%	-4.72%	-4.81%	-4.77%	-4.72%	-4.66%	-4.60%	-4.02%	-4.38%	-2.97%	-3.84%	
6	\$12,000,000 - \$12,999,999	-4.96%	-4.86%	-4.85%	-4.75%	-4.84%	-4.80%	-4.75%	-4.69%	-4.63%	-4.05%	-4.41%	-3.00%	-3.87%	
6	\$13,000,000 - \$13,999,999	-4.99%	-4.89%	-4.88%	-4.78%	-4.87%	-4.83%	-4.78%	-4.72%	-4.66%	-4.08%	-4.44%	-3.03%	-3.90%	
6	\$14,000,000 - \$14,999,999	-5.02%	-4.92%	-4.91%	-4.81%	-4.90%	-4.86%	-4.81%	-4.75%	-4.69%	-4.11%	-4.47%	-3.06%	-3.93%	
6	\$15,000,000 - \$15,999,999	-5.05%	-4.95%	-4.94%	-4.84%	-4.93%	-4.89%	-4.84%	-4.78%	-4.72%	-4.14%	-4.50%	-3.09%	-3.96%	
6	\$16,000,000 - \$16,999,999	-5.08%	-4.98%	-4.97%	-4.87%	-4.96%	-4.92%	-4.87%	-4.81%	-4.75%	-4.17%	-4.53%	-3.12%	-3.99%	
6	\$17,000,000 - \$17,999,999	-5.11%	-5.01%	-5.00%	-4.90%	-4.99%	-4.95%	-4.90%	-4.84%	-4.78%	-4.20%	-4.56%	-3.15%	-4.02%	
6	\$18,000,000 - \$18,999,999	-5.14%	-5.04%	-5.03%	-4.93%	-5.02%	-4.98%	-4.93%	-4.87%	-4.81%	-4.23%	-4.59%	-3.18%	-4.05%	
6	\$19,000,000 - \$19,999,999	-5.17%	-5.07%	-5.06%	-4.96%	-5.05%	-5.01%	-4.96%	-4.90%	-4.84%	-4.26%	-4.62%	-3.21%	-4.08%	
6	\$20,000,000 - \$100,000,000	-5.20%	-5.10%	-5.09%	-4.99%	-5.08%	-5.04%	-4.99%	-4.93%	-4.87%	-4.29%	-4.65%	-3.24%	-4.11%	

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**Delivery Frequency Modifier:** The applicable base markup for a member or IDN shall be adjusted for the number of deliveries per week selected by each facility, depending upon such facility's average aggregate monthly net purchases volume over the prior calendar quarter, as reflected in the following grid:

Average Aggregate Monthly Net Purchases Volume of Facility			Number of Scheduled Deliveries per Week				
			11	6	5	3	1
\$0	Up to	\$49,999	Not Available	Not Available	0.80%	0.40%	None
\$50,000	Up to	\$99,999	Not Available	Not Available	0.20%	None	Not Available
\$100,000	Up to	\$499,999	Not Available	0.12%	None	Not Available	Not Available
\$500,000	Up to	\$999,999	0.54%	0.08%	None	Not Available	Not Available
\$1,000,000	Up to	\$4,999,999	0.18%	None	-0.04%	Not Available	Not Available
\$5,000,000	Up to	\$9,999,999	0.08%	None	-0.02%	Not Available	Not Available
\$10,000,000	Up to	\$14,999,999	0.04%	None	-0.01%	Not Available	Not Available
\$15,000,000	Up to	\$19,999,999	0.04%	None	-0.01%	Not Available	Not Available
\$20,000,000	&	Above	0.04%	None	-0.01%	Not Available	Not Available

**Vizient Noninjectable Generics Program Compliance Modifier:** The applicable member markup for a member or IDN shall be adjusted to reflect a member or IDN's average aggregate monthly net purchase volume of products from the noninjectable generics Rx program and AmerisourceBergen generic source net purchases from all accounts not attached to contract products (e.g., 340B and non-GPO/WAC accounts) as a percentage of the member's or IDN's average aggregate monthly net purchase volume of all products, excluding courtesy billed products ("Noninjectable Generic Rx For Vizient Pull-Through") over the prior calendar quarter, as follows:

Generics Pull-Through			Base Markup Matrix Adjustment
0.00%	to	0.49%	+3.40%
0.50%	to	0.99%	+2.90%
1.00%	to	1.49%	+2.40%
1.50%	to	1.99%	+1.90%
2.00%	to	2.49%	+1.40%
2.50%	to	2.99%	+0.90%
3.00%	to	3.99%	+0.40%
4.00%	to	4.99%	+0.20%
5.00%	to	5.99%	0.00%
6.00%	to	6.99%	-0.07%
7.00%	to	7.99%	-0.14%
8.00%	to	8.99%	-0.21%
9.00%	to	9.99%	-0.28%
10.00%	&	Above	-0.35%

**Contract Utilization Modifier:** The applicable base markup for a member or IDN shall be adjusted in accordance with the following grid based on the member or IDN's contract utilization percentage, this measurement takes all contract purchases at invoice price as a ration against those same purchases if they were priced at WAC. For example, if a member or IDN's monthly net purchases volume during a calendar quarter is \$15,000,000 and the amount of these net purchases using WAC as the measurement of cost is \$24,000,000, the applicable base markup will be reduced by 5 basis points (0.05%) in the immediately following calendar quarter (since the difference between these two amounts divided by the actual net purchases volume equals a contract utilization percentage of 60.00%, the member or IDN will receive a 5 basis point (0.05%) enhancement for such level of contract utilization).

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Contract Price Percentage Off WAC			Base Markup Matrix Adjustment
0.00%	to	2.49%	+2.70%
2.50%	to	4.99%	+2.20%
5.00%	to	9.99%	+1.70%
10.00%	to	14.99%	+1.20%
15.00%	to	19.99%	+0.70%
20.00%	to	24.99%	+0.20%
25.00%	to	29.99%	+0.10%
30.00%	to	39.99%	0.00%
40.00%	to	49.99%	-0.05%
50.00%	to	59.99%	-0.10%
60.00%	&	Above	-0.15%

**ACH/EFT Payment Modifier:** In the event a member or IDN fails to use automated clearinghouse/electronic funds transfer ("ACH/EFT") as the routine method for remitting amounts due to AmerisourceBergen, AmerisourceBergen will increase the base markup by +0.05%.

**CSOS Modifier:** In the event a member or IDN fails to remit orders for schedule II products using AmerisourceBergen's electronic controlled substance ordering system (CSOS), AmerisourceBergen will increase the base markup by +0.05%.

**1-Year, 2-Year, 3-Year or 4-Year Commitment to AmerisourceBergen**

A member may voluntarily elect to make a one-year to multi-year commitment with AmerisourceBergen and the following markup incentives will apply:

Member Commitment Term	Markup Incentive (reduction)
1 year	-0.05%
2 years	- 0.10%
3 years	- 0.20%
4 years	- 0.25%

If a member is interested in making a one-year to multi-year commitment, members can access the AmerisourceBergen Letter of Participation (LOP) on Vizient Form Manager.



## NONINJECTABLE GENERICS

### PRODUCT AND SUPPLIER QUALITY ASSURANCE

#### ***Sourcing Quality Products***

AmerisourceBergen is committed to supply chain integrity and only purchases pharmaceutical and over-the-counter products directly from the supplier or supplier's official designee. AmerisourceBergen does not purchase from secondary sources or other distributors.

Vizient has confirmed with each distributor that its policy related to AB-rated generics is the same as Vizient's policy. The distributors award an AB-rated generic whenever one is available on the market. As is the case with Vizient's pharmacy portfolio, the following are the reasons a non-AB rated product would be on a distributor contract:

- If a B-rated product is the only one available in the U.S. market
- Some older drugs have a DESI designation, and they have no equivalency rating because the supplier never officially filed a new drug application or abbreviated new drug application with the U.S. Food and Drug Administration.
- When a branded supplier selects a company to be the authorized generic supplier, the branded supplier produces the product for its authorized generic supplier, and therefore, that "generic" does not have an equivalency rating because it is actually the branded product.

Members can view the Orange Book rating of any product by using AmerisourceBergen's catalog and order entry online and PassPort system. Contact your AmerisourceBergen account manager or AmerisourceBergen customer service for assistance.

#### ***Selecting Reliable Suppliers***

Vizient has reviewed AmerisourceBergen's policies for adding new suppliers to its generics program. Compared with Vizient, AmerisourceBergen has equal to or more stringent minimum qualifications for generics suppliers.

AmerisourceBergen carefully evaluates all aspects of a supplier's business before adding it to the PRxO Generics for Vizient program. If a supplier meets at least the minimum criteria listed below, AmerisourceBergen will typically add only a few low-volume products to PRxO Generics for Vizient in order to establish a track record. AmerisourceBergen closely monitors the supplier's product availability consistency (fill rate) and other key performance metrics such as contract and chargeback management.

AmerisourceBergen evaluates all new generics suppliers in the following areas:

#### ***Financial Stability***

- Review available public and non-public financial data to determine whether supplier is financially stable and well capitalized.
- Evaluate the supplier's ownership structure.

#### ***Quality Assurance and Regulatory Compliance***

- Supplier must be currently approved and recently inspected by the FDA.
- Review supplier's quality and manufacturing policies and procedures, and corporate regulatory philosophy.
- Verify the supplier has received FDA approval for all products that are considered for the generics program.
- Monitor results of FDA plant inspections and watch for FDA warning letters ("483 letters").
- Evaluate supplier's operational strategy for disaster recovery. Look for redundant capability to mitigate supply risk if a plant is not operational.
- For some new suppliers, including non-U.S. finished dose manufacturing plants, AmerisourceBergen may conduct onsite visits to determine whether a plant meets distributor's quality standards.

#### ***Liability Insurance***

- \$10 million minimum liability insurance

#### ***Capacity, Pipeline and Strategy***

- Evaluate the supplier's access to raw materials.
- The supplier must have proven manufacturing capacity and supply logistics to supply AmerisourceBergen's U.S. distribution centers adequately.
- Research the supplier's pipeline of new generics (its plan for adding new products) and its history of first-to-market performance on new generics.

## **PRODUCT COVERAGE**

### ***Product coverage***

The AmerisourceBergen PRxO Generics for Vizient portfolio for members will consist of generic prescription and over-the-counter products in the following categories:

- Oral solids (tablets, capsules)
- Oral liquids
- Topical (creams, ointments, liquids, sprays, patches)
- Respiratory
- Ophthalmic
- Optics

Vizient works closely with the AmerisourceBergen generics team to ensure full coverage of the key noninjectable generic products.

### ***Unit-dose products***

AmerisourceBergen has committed in their Vizient contracts to dual-source all unit-dose products to ensure that members have choices wherever possible for all UD noninjectable generic products. Vizient works with AmerisourceBergen to ensure members continue to have contract pricing on all available robot-ready, reverse number pack, and long-term care punch card formats, and that the distributor is dual awarding those package types wherever possible.

### ***AmerisourceBergen's PRxO Generics for Vizient portfolio segmentation***

AmerisourceBergen divides its generics portfolio products into two segments:

- Primary portfolio products – About 7,000 noninjectable generic products
- Secondary backup portfolio products– About 1000 products would be available to members in the event a primary portfolio item experiences a temporary availability problem. The backup portfolio products are equivalent to products already in the primary portfolio, and in most cases, they are the same price as the primary product. In all cases the backup portfolio products will be competitively priced.

### ***Product supplier switches on AmerisourceBergen's PRxO Generics for Vizient program***

AmerisourceBergen and Vizient average 1 percent or fewer line-item switches each year in their portfolios. AmerisourceBergen recognizes the work supplier switches create for members and focuses strongly on not switching products. However, AmerisourceBergen will switch if the incumbent supplier has supply problems, quality problems or is unwilling to lower prices as needed to maintain market-competitive pricing.

### ***Extra discount when AmerisourceBergen switches suppliers***

When AmerisourceBergen changes suppliers for a product in the primary portfolio, members will receive an additional 5 percent off-invoice discount for the first 30 days following the switch. This is a unique value only offered by AmerisourceBergen.

### ***Free calibration of dispensing canisters for AutoMed Members***

AmerisourceBergen will cover the cost of calibrating AutoMed canisters in the following circumstances:

- When AmerisourceBergen changes primary suppliers on a noninjectable generic product
- Upon introduction of a new-to-market product on the PRxO Generics for Vizient formulary at any point in the future

This no-charge canister calibration is a unique value offered only by AmerisourceBergen. This value is only available to AmerisourceBergen pharmacy distribution primary customers that use AutoMed dispensing technology.

Prior to the new item launch or supplier change, AmerisourceBergen will notify members that use AutoMed dispensing equipment of an impending change or addition to AmerisourceBergen's Vizient noninjectable generic product portfolio. AmerisourceBergen will provide the current NDC and ABC item numbers affected, along with the new NDC and ABC item numbers, and reason for the change.

Members can obtain a canister order form from The Link<sup>®</sup> area of the AmerisourceBergen website. Members are responsible for completing the form accurately and submitting it electronically to AmerisourceBergen/AutoMed through The Link. Upon receipt of the form, AutoMed will send a calibrated canister for the new noninjectable generic product to the member, and invoice AmerisourceBergen directly for the cost of the canister. There will be no charge to the member.

***AmerisourceBergen's Good Neighbor Pharmacy® private brand OTC***

AmerisourceBergen offers members a full line of private brand over-the-counter products. The Good Neighbor Pharmacy® brand features more than 700 products, such as nutritional supplements, cough and cold, analgesics, and health and beauty aids. About 75 Good Neighbor Pharmacy products will be among the OTC products in AmerisourceBergen's noninjectable generics program for Vizient.

All Good Neighbor Pharmacy products start with "GNP" as the first three characters of their AmerisourceBergen catalog item description. Members can find Good Neighbor Pharmacy products by using AmerisourceBergen's order entry system (PassPort) catalog search feature and keying GNP as the item description. Members can also ask their AmerisourceBergen account manager for a current list of Good Neighbor Pharmacy products.

**SUPPLIER DIVERSITY**

AmerisourceBergen Corporation is committed to promoting the success of small, minority, women, disabled, and veteran owned businesses as they are the foundation of a competitive economy and the source of business innovations that make AmerisourceBergen Corporation a leader in healthcare distribution and related services. AmerisourceBergen will do this through policies, procedures, and programs designed to increase the inclusion of small businesses in AmerisourceBergen's sourcing process.

AmerisourceBergen will provide businesses every opportunity to participate, pursuant to customer contractual and regulatory requirements. The percentage of business dollars spent with small and diverse businesses is impacted by the nature of the pharmaceutical distribution industry, where a majority of the business' spent dollars for required product are with major pharmaceutical manufacturers where alternative procurement options are non-existent.

AmerisourceBergen encourages working with diverse suppliers while ensuring that they receive the highest quality products and services at the most competitive prices. To do this, AmerisourceBergen makes outreach efforts to gather profile information on companies that offer products and services that support AmerisourceBergen's business requirements. The information is reviewed if a business opportunity exists that matches the products or services offered by one of these companies. AmerisourceBergen has established a strong rapport with representatives of the local Small Business Administration (SBA), is a committee member of the Women's Business Enterprise Council (WBEC) of Pennsylvania, Delaware, and New Jersey as well as a member of the WBEC Chicago Council. Additionally, AmerisourceBergen is a member of the Minority Supplier Development Council (MSDC) of Pennsylvania, New Jersey, Delaware and Chicago. AmerisourceBergen works together with the SBA, WBEC, and the MSDC in identifying, promoting, and encouraging the development of partnerships with small and diverse companies. AmerisourceBergen also attends various diversity expos/networking events to connect with small, women/minority/veteran owned business.

With the guidance of the Small Business Administration, AmerisourceBergen reports Supplier Diversity figures via an annual Commercial Reporting Plan. The Commercial Reporting Plan is company-wide and relates to the entire business activity for both, direct and indirect products and services, is representative of the entire AmerisourceBergen business activity and is not solely related to any specific customer activity.

If you have questions about AmerisourceBergen's supplier diversity initiatives, email [procurement@amerisourcebergen.com](mailto:procurement@amerisourcebergen.com) or contact your AmerisourceBergen account manager.

**MARKET-COMPETITIVE PRICING**

***AmerisourceBergen's commitment to market-competitive pricing***

AmerisourceBergen is fully committed to offering members market-competitive prices on noninjectable generics. AmerisourceBergen receives hundreds of competitive price points from its customer base every week, and those price points and overall market movement result in lower prices for members.

Members that discover a lower market price on a noninjectable generic product may report the price to AmerisourceBergen's generics team by e-mailing [prxogenericspricing@amerisourcebergen.com](mailto:prxogenericspricing@amerisourcebergen.com). Alternatively, members can report the price to their AmerisourceBergen customer service representative or to their AmerisourceBergen account manager.

AmerisourceBergen requires the following minimum information in order to act:

- AmerisourceBergen item number or NDC

AMERISOURCEBERGEN PHARMACY DISTRIBUTION  
DPABC

- Date of the better price
- Source of the competitive intelligence (such as: telemarketer, name of other group purchasing organization, name of other distributor)
- Price
- Manufacturer of the competitive product
- Whether the price includes a cost minus markup
- Your AmerisourceBergen account number and a key pharmacy contact that can discuss this market price situation if the AmerisourceBergen staff needs to communicate or ask questions

***Vizient monitoring of price competitiveness on distributor noninjectable generic programs***

Each month, Vizient will compare AmerisourceBergen's prices to its prior month prices, as well as across distributors, using 1) a marketbasket of top 1,500 products and 2) products by category (such as oral solids, oral liquids, topicals, respiratory and ophthalmics and 3) across all generic noninjectable products.

Results of Vizient's price competitiveness analysis will be available to members on Marketplace|Procure.

***Cost-minus markup applied to PRxO Generics for Vizient prices***

AmerisourceBergen's PRxO Generics for Vizient program will have each member's normal cost-minus markup applied to the prices.

***60-day price protection on purchases of new noninjectable generics***

AmerisourceBergen offers members 60 days of price protection on purchases of new noninjectable generics. Price protection is subject to suppliers providing price protection to AmerisourceBergen, and price protection may not apply to a single-source or exclusive generics launch. The auto-ship invoice price is compared with the lowest AmerisourceBergen price available to the member in the first 60 days after launch, and if the lowest price is less than the auto-ship invoice price, then the price difference will be credited to the member.

Any credit-on-account resulting from auto-ship price protection will be issued by AmerisourceBergen no later than 75 days from the launch of the new generic product.

**AUTOMATIC SHIPMENT OF NEW NONINJECTABLE GENERICS**

***Price Protection on New Generics***

AmerisourceBergen's automatic shipment program has the following features: First to Shelf®

AmerisourceBergen will provide an auto-shipment program to help members quickly transition to new noninjectable generic products upon launch. AmerisourceBergen's program is also referred to as First to Shelf or FTS. This program automatically ships members a new generic product as soon as it arrives in the AmerisourceBergen distribution center.

Certain products are not eligible for automatic shipment:

- New generics that are not A-rated (Orange Book code)
- Class II controlled substances
- Products for which AmerisourceBergen does not have enough on-hand inventory to support a nationwide automatic shipment
- Products for which the specific member has not purchased the equivalent brand product in the last 90 days
- Products where member has had less than one-piece-per-month average usage of the brand product

Once the new generic has arrived at AmerisourceBergen distribution centers, the member can chose to receive a two-week day supply of each strength and size for which the member has recent prior purchase history of the generic equivalent-branded product.

***Automatic Shipment Delivery and Invoice***

The automatic shipment is delivered along with the member's normal order from its home distribution center. The invoice is included with the delivery, but it is separated from the other invoices.

***Number of Automatic Shipments a Member Can Expect in a Year***

In 2014, AmerisourceBergen members received over 50 automatic shipments of new generics. The number of automatic shipments depends on the number of new noninjectable generics launched; some years may have fewer than others. In all cases, a member would only receive an automatic shipment if it had purchased the equivalent brand product in the prior 90 days.

**Notifying Members about Automatic Shipments**

Members are notified about upcoming automatic shipments in AmerisourceBergen’s bi-monthly generic newsletter, *News & Notes*. Members can also find generics info on The Link.

**No Freight Charges**

Shipping or freight charges for auto-shipments are always prepaid by AmerisourceBergen.

**Extended Payment Terms**

Subject to credit approval, 60-day dating is applied to auto-shipment invoices; i.e., auto-ship invoices are due 60 days from the invoice date.

**Product Returns**

Members can return an auto-shipped product to AmerisourceBergen for full credit, provided the product meets the applicable AmerisourceBergen return goods policy for saleable products.

**60-Day Price Protection on Purchases of New Noninjectable Generics**

AmerisourceBergen offers members 60 days of price protection on purchases of new noninjectable generics, including automatic shipments of new products. Other distributors also offer price protection on automatic shipments, but AmerisourceBergen is the only distributor to offer price protection on all purchases of the new product during the first 60 days after launch. Price protection is subject to suppliers providing price protection to AmerisourceBergen, and price protection may not apply to a single-source or exclusive generics launch.

An example of price protection on automatic shipments is as follows:

**60-Day Price Protection**

Date	Price	Event	Price Protection Credit Owed
July 1	\$5.00	10 pieces shipped and invoiced via First to Shelf program: This is a 30-day supply based on the member's recent purchases of the equivalent brand drug.	
Aug. 31	\$4.25	End of 60-day price protection period	<p>\$5 launch price – \$4.25 day - 60 price = \$0.75 difference</p> <p>\$0.75 x number of pieces in the initial shipment + any pieces purchased during the 60-day price protection period</p> <p>Credit on account due to member no later than Oct. 15, 45 days after close of price protection period</p>

**Opting Out of AmerisourceBergen Automatic Shipment Program**

Members may opt out of the AmerisourceBergen automatic shipment program by executing the opt-out form that is available on Form Manager. Vizion forwards the forms to AmerisourceBergen to implement within 10 business days.

**SUBSTITUTION OF A SUBSET OF NONINJECTABLE GENERICS**

**Generic-to-generic product substitution**

AmerisourceBergen will substitute a subset of its noninjectable generics portfolio when a member orders a generic equivalent product. This is a generic-to-generic substitution. The following product types will not be substituted on a member’s order:

- Brand product – Even if there is an equivalent generic product on AmerisourceBergen’s PRxO Generics for Vizion program
- Different package size – Substitution is only allowed for same-sized generic products.
- Unit-dose product
- Any NOVAPLUS® product
- OTC product
- Clinically sensitive products – Vizion is working with AmerisourceBergen to finalize this list of exception products.

**AmerisourceBergen Substitution Flow**

Generic-to-generic substitution only applies to a member's order of a generic product equivalent to a product on AmerisourceBergen's PRxO Generics for Vizient portfolio and is subject to the restrictions described above.

If a product would normally be subject to substitution but the "to" product is not in stock at the time of the order, then the member's originally ordered product will be shipped. Substitution only happens if the "to" product is in stock in the full quantity ordered by the member.

If member orders...	Then the following will be substituted ...
Brand product	No substitution
"Not substitutable product" designated by Vizient (clinically sensitive products)	No substitution
Unit-dose	No substitution
Generic injectable product	No substitution
NOVAPLUS product	No substitution
C-II controlled substance	No substitution
OTC product	No substitution
Generic noninjectable non-contract product	AmerisourceBergen PRxO Generics for Vizient primary portfolio product
AmerisourceBergen generics primary portfolio product that is out of stock	Option to be substituted to an equivalent generic product in AmerisourceBergen's backup portfolio. Usually is the same price as the primary item but will always be competitively priced.

**Substitution Flow Examples**

The following example illustrates how AmerisourceBergen's generic-to-generic substitution works when a primary and a secondary portfolio product are awarded:

- Supplier X is on PRxO Generics for Vizient contract in the primary portfolio.
- Supplier Y is on PRxO Generics for Vizient contract in the secondary portfolio (backup contract due to the primary product's temporary supply disruption).
- Supplier Z is a generic product not on contract.

If member orders...	Is the ordered product in stock?	The following substitution will happen ...	Why?
Supplier X (primary portfolio)	Yes	None	Supplier X is the primary portfolio product.
Supplier X (primary portfolio)	No	None	If the primary portfolio product is out of stock, the AmerisourceBergen order entry systems will display a list of in-stock equivalent products, including the secondary portfolio product. In-stock alternatives will not be automatically substituted but members can choose to order any in-stock alternatives.
Supplier Y (secondary portfolio)	Yes	Substituted to supplier X (primary portfolio)	Supplier Y is the backup portfolio product and will be automatically substituted to the primary portfolio product. Remember that not every primary portfolio product has a corresponding backup portfolio product – backup products are added to help address supply problems.
Supplier Z (non-contract)	Yes	Substituted to supplier X (primary portfolio)	Supplier Z is a non-contract generic; therefore, the order is substituted to the primary portfolio product.

The following example illustrates how a dual awarded product would be treated in AmerisourceBergen's generic-to-generic substitution process. All unit-dose will be dual awarded when possible.

- Supplier X and supplier Y are unit-dose and dual awarded on the PRxO Generics for Vizion primary portfolio.
- Supplier Z is a generic unit-dose product not on contract.

If member orders...	Is the ordered product in stock?	The following substitution will happen ...	Why?
Supplier X (primary portfolio)	Yes	None	Supplier X is on the primary portfolio.
Supplier Y (primary portfolio)	Yes	None	Supplier Y is on the primary portfolio.
Supplier X (primary portfolio)	No	None	If the primary portfolio products are out-of-stock, the AmerisourceBergen order entry systems will display a list of in-stock-equivalent products. Members can choose to order any of the in-stock alternatives, but they will not be automatically substituted.
Supplier Y (primary portfolio)	No	None	
Supplier Z (non-contract)	Yes	None	No substitution of unit-dose products is done – even if the member orders a non-contract product.

AmerisourceBergen offers optional additional substitution programs for generic noninjectable generics:

- Secondary portfolio – In the event that the preferred primary item is out of stock, this backup portfolio can offer a competitively priced replacement, minimizing out-of-stock issues. As described earlier in this document, the backup portfolio currently includes more than 1,000 products. In the AmerisourceBergen PassPort ordering systems, members will be prompted at the time of order with the option to substitute a secondary portfolio product if the primary portfolio product is unavailable. A message will show on the ordering system confirmation screen whenever a primary portfolio item is being replaced with a backup portfolio product.
- Brand to generic substitution (B2G) – This substitution option is designed to move a member to a new generic as soon as it launches. During the first 45 days after launch of a new generic, when a member orders the brand product, this program will automatically substitute the AmerisourceBergen generic contract product. Because this program is optional, a member must contact its AmerisourceBergen account manager to request enrollment.

**Identifying a Substitution on an Invoice**

The First to Shelf automatic shipment invoice will include "Autoship Order" above the word INVOICE on the upper portion of the invoice. Also, in the body of the invoice "852-FTS-PRxO Generics Autoship" and the generic item description will be included.

**Overriding AmerisourceBergen Substitution**

To override a substitution the pharmacy buyer must select "Do not Substitute" in the checkbox for each substitution override situation.

Members may opt out of the AmerisourceBergen generic-to-generic substitution program by executing the opt-out form that is available on Form Manager. Vizion forwards the received forms to AmerisourceBergen to implement the opt-out request within 10 business days.

**Caution**

Before opting out entirely from substitution, members should keep in mind that it is designed to ensure compliance with the contract and access to best prices. Vizion has strictly limited the products subject to substitution and provided two ways members can exclude additional products from substitution.

Should a member's compliance drop below an acceptable level, Vizion and/or AmerisourceBergen will bring the problem to the member's attention. If compliance does not improve, the member may risk losing access to contract prices for noninjectable generic products.

**TIPS FOR AMERISOURCEBERGEN'S PASSPORT ORDER ENTRY SYSTEM**

**Identifying Contract Types in AmerisourceBergen's Online PassPort Ordering System**

Contract Type	Code in PassPort
AmerisourceBergen PRxO Generics for Vizient for Vizient primary and secondary portfolios	PRxO Generics Vizient
Vizient contract	NOVA
Member's local contract	INDV

ABC Item No. Color Codes	Color in PassPort
On contract and in stock	Green
Not on contract and not in stock	White triangle outlined in red
Not on contract	White
Drop-ship item	Purple
In stock, but contract expires in 30 days	Green, with picture of a clock

**Identifying AmerisourceBergen's Good Neighbor Pharmacy Private Brand OTC**

All Good Neighbor Pharmacy products start with "GNP" as the first three characters of their AmerisourceBergen catalog item description. Members can find Good Neighbor Pharmacy products by using AmerisourceBergen's order entry system (PassPort) catalog search feature and keying GNP as the item description.

**Finding NOVAPLUS Products in PassPort Product Catalog**

Look up NOVAPLUS products by keying any of the following:

- Use the Item Search option
  - Select the wildcard feature to find all NOVAPLUS products: %N+.
  - Type the generic name, and then scan the product list to find the NOVAPLUS product.
  - Type the brand name, choose the generic equivalent search link to see all generics and then scan the product list to find the NOVAPLUS products.
- Use Supplier Search option: Type the supplier's name, and then scan the product list to find the NOVAPLUS products. Note: Pfizer's NOVAPLUS products may be listed with "Pharmacia/Upjhn" as the supplier name.



**AMERISOURCEBERGEN GENERICS CUSTOMER SERVICE, NEWSLETTER FOR MEMBERS**

***AmerisourceBergen PRxO Generics for Vizient newsletter for Members***

AmerisourceBergen publishes a bimonthly PRxO Generics for Vizient e-newsletter called *News & Notes for Vizient*. This newsletter covers noninjectable generic news, including new product launches, products changing to different suppliers, product availability issues, price reductions and generics industry news. *News & Notes for Vizient* will be distributed to members via email, and it will be available electronically on AmerisourceBergen's The Link.

The initial mailing list for the newsletter is the same as the list of *Pharmacy Hot Info* subscribers. If you want to be removed from or added to the AmerisourceBergen newsletter mailing list, contact your AmerisourceBergen account manager or AmerisourceBergen customer service in the local distribution center. These changes will not affect your *Pharmacy Hot Info* subscription; refer to the Publication Manager link on Marketplace|Procure to make changes to your alliance subscriptions.

Note that *Pharmacy Hot Info* is published every Thursday. *Pharmacy Hot Info* communicates valuable contract news related to branded pharmaceuticals, pharmacy capital equipment, generic injectables, pharmacy NOVAPLUS products, relevant clinical news and best practice tips. The distributor's generics newsletter will be the source for noninjectable generics product news.

***AmerisourceBergen Generics Customer Service***

AmerisourceBergen has generics specialists at its call centers that are the key contacts for many generics-related issues. If you do not know your AmerisourceBergen customer service phone number, you may contact the national accounts representative for Vizient, Colby Adams, AmerisourceBergen Vice President National Accounts, at [cadams@amerisourcebergen.com](mailto:cadams@amerisourcebergen.com).

The following issues are best handled by the AmerisourceBergen customer care center, either by phone at 844.222.2273 or email at [AmerisouceBergencustomer@amerisourcebergen.com](mailto:AmerisouceBergencustomer@amerisourcebergen.com):

- Reporting an invoice price discrepancy
- Automatic shipment question
- Permanently excluding a product from future generic-to-generic substitution
- Requesting to have a new product added to AmerisourceBergen's noninjectable generics contracts
- Timing of a new generic launching in U.S. market
- Inventory status or product availability question on any product (including generics)
- Substitution override for a single order (one-time override)
- 

PassPort login issues or how-to questions are best handled by using the PassPort "help" feature or contacting the AmerisourceBergen technology help desk at 888.711.5469.

## RIGHT TO TERMINATE

### MEMBER'S RIGHT TO TERMINATE RELATIONSHIP WITH AMERISOURCEBERGEN

For those members that enroll in AmerisourceBergen's one-year or multiyear commitment incentive program, the member's termination rights are limited to the following:

- Termination for cause – Member or AmerisourceBergen may effect an early termination of this LOP upon the occurrence of a material breach by the other party. The parties agree that a material breach under this LOP shall include, but not be limited to, either party's failure to (i) perform its obligations in accordance with the terms Section 9 (product supply) of the base agreement, or (ii) pay any amount due to the other part in a timely manner. The non-breaching party must give written notice to the breaching party of the occurrence of such breach. The notice must describe in detail the nature of the breach. For payment breaches, the breaching party will have 10 days to cure its breach beginning on the date the breaching party receives the written notice and, if such breach is not cured by the expiration of this 10-day period, the non-breaching party may provide written notice to the breaching party that the LOP will be terminated immediately. For all other material breaches, the breaching party will have the opportunity to cure its breach to the reasonable satisfaction of the non-breaching party during a 60-day period beginning on the date the breaching party receives the written notice (the "cure period"). In the alternative, if such breach is of a nature that it cannot be cured in 60 days, the breaching party must commence and diligently prosecute in good faith the cure of such breach within the cure period and cure such breach within 90 days. If the breach is not cured by the expiration of the cure period, or the breaching party does not cure the breach within 90 days under the circumstances permitted in the foregoing sentence, then the non-breaching party may provide written notice to the breaching party that the LOP will be terminated in 30 days following the expiration of the cure period.
- Termination for adjusted fill rate – If member experiences two consecutive months of adjusted fill rate at 92.9 percent or lower, even if AmerisourceBergen is providing credits to member for such adjusted fill rate performance pursuant to the agreement, as member's sole additional remedy for AmerisourceBergen's adjusted fill rate performance, the member will have the unilateral right to terminate the LOP with 30 days' written notice. During the 30-day notice period, member may establish a relationship with another distributor to reasonably satisfy its pharmacy needs, and such relationship could cause AmerisourceBergen to lose prime vendor status with the member. In this event, AmerisourceBergen may not increase the applicable member markup or in any other way take away financial incentives or impose new fees on member as a result of losing the prime vendor status.
- AmerisourceBergen loss of Vizient contract – In the event the base agreement or any subsequent extension or replacement (including a successor agreement) with AmerisourceBergen expires or is otherwise terminated for any reason during its term, this LOP shall automatically and simultaneously terminate without penalty to member.
- AmerisourceBergen or member insolvency – Member or AmerisourceBergen may automatically terminate the LOP without penalty upon written notice to the other party (member of AmerisourceBergen, as applicable) if such other party becomes bankrupt or insolvent, makes an unauthorized assignment for the benefit of creditors or goes into liquidation, has proceedings initiated against it for the purpose of seeking a receiving order or winding up order, or applies to the courts for protection from its creditors.
- AmerisourceBergen change of control event – If AmerisourceBergen experiences a "change of control" (such as a merger with another company or being acquired by another company), then member may terminate the LOP without penalty upon 60 days' written notice.
- Mutual consent – If AmerisourceBergen and member mutually agree to terminate the LOP, then such termination will be without penalty to member and will be effective after 60 days' written notice.

### AMERISOURCEBERGEN'S RIGHT TO TERMINATE SERVICES WITH A MEMBER

- Non-payment or insolvency of a member – In the event that a member becomes bankrupt or insolvent, makes an assignment for the benefit of creditors or goes into liquidation, or if proceedings are initiated for the purpose of having a receiving order or winding up order made against a member, or if a member applies to the courts for protection from its creditors, then AmerisourceBergen will have the right, upon prior written notice to Vizient and the member, to discontinue the provision of pharmacy distribution services to that member.
- Member change of control event – If member experiences a "change of control" (such as a merger with another company or being acquired by another company), then AmerisourceBergen may terminate the LOP without penalty upon 60 days' written notice.
- Termination rights in the case of members with one-year or multi-year commitments – In the case of a member that is enrolled in any of the multi-year commitment options, the termination rights described above for member also apply to AmerisourceBergen.

## AWARD RATIONALE

**SELECTION PROCESS/ MEMBER INPUT** Vizient awards product agreements to the suppliers that offer best overall value, as determined through a comprehensive contracting process that follows the principles of the American Bar Association's Model Procurement Code and involves participating member organizations to the greatest practical degree. The process uses member-driven criteria and a weighted award decision tool that considers financial and product specification/quality factors.

Based solely upon the results of this process, Vizient awarded seven agreements for prime vendor pharmacy distribution services and non-injectable generic product contracting to (in no particular order) **AmerisourceBergen, Cardinal, McKesson, Morris & Dickson, H.D. Smith, Burlington Drug and Dakota Drug.**

### ***Pre-Bid Member Survey***

A pre-bid member survey was conducted in June 2012 to assess member satisfaction with distributors, member concerns and priorities, and members' willingness to switch distributors. This information was used to determine approach and areas of emphasis in this request for proposal's contracting strategy.

### ***Request for Information***

Vizient issued a request for information in September 2013 to the following suppliers: AmerisourceBergen, Cardinal, McKesson, Morris & Dickson, H.D. Smith, Burlington Drug and Dakota Drug, R&S Northeast and VaxServe. Responses were received from all suppliers.

Based on responses, all eligible suppliers meeting the minimum requirements of this bid, proceeded to the next phase.

### ***Request for Proposal***

Vizient issued a request for proposal in December 2013 to the following suppliers: AmerisourceBergen, Cardinal, McKesson, Morris & Dickson, H.D. Smith, Burlington Drug and Dakota Drug. Responses were received from all suppliers.

In addition to financial value, these agreements were awarded based on the following product specification/quality factors, which were developed and weighted by Vizient's Pharmacy Distribution Council in October 2013:

- business terms
- distributor capabilities
- adherence to terms and conditions

In January 2014, council members assisted Vizient in preparing initial RFP scorecards. The council assisted in further evaluation of the responses throughout the year.

### ***Best-and-Final Offer***

Based on the scoring results, AmerisourceBergen, Cardinal, McKesson, Morris & Dickson, H.D. Smith, Burlington Drug and Dakota Drug were invited to submit their best-and-final pricing offer in December 2014.

Financial factors included member markup, non-injectable generics product pricing, and value of member patronage returns.

### ***Award Validation***

Based on the final scorecard results and with approval of the council at the end of December 2014, Vizient awarded the agreements to the suppliers listed above.

Vizient wishes to thank the members of the Pharmacy Distribution Council for their valuable direction and input into this award decision.

**COMPETITIVE  
PROFILE**

The following table illustrates the percentage of purchases among the primary competitors in this product category:

Supplier	Vizient Percentage of Purchases*	Vizient Acute-Focused Percentage of Purchases	National Percentage of Purchases**
AmerisourceBergen	56%	32%	27%
Cardinal	26%	40%	34%
McKesson	14%	22%	37%
Morris & Dickson	2%	4%	1%
H.D. Smith	<1%	<1%	1%
Burlington Drug	<1%	<1%	<1%
Dakota Drug	<1%	<1%	<1%

Sources:

\* June-November 2014 PRISM sales annualized – contract and non-contract

\*\* 2013 Modern Distribution Management