



2006 Award Winner

Premier Inc.

Serving 1,700 hospitals and more than 43,000 other health care sites, Premier Inc. is the largest health care alliance in the United States dedicated to improving patient outcomes while safely reducing the cost of care. Owned by 200 not-for-profit health care providers and health system organizations, the alliance enables the owners to share services and programs aimed at improving the quality and cost-effectiveness of clinical operations. Premier's three business units provide the following services: group purchasing and supply chain management, insurance and risk management, and informatics and performance improvement tools. Headquartered in San Diego, Premier has offices in Charlotte, N.C. and Washington, D.C.

Focused on the Goal

Premier's "Big Hairy Audacious Goal" is for its member hospitals to deliver the best, most cost-effective care in the nation and for the alliance to have a major influence on reshaping health care. To that end, the alliance has focused its business units on disciplines where outstanding opportunities exist to drive measurable improvement and performance breakthroughs. The success of this strategy is evident:

- Hospitals that make up the Premier alliance have validated more than \$2.5 billion in savings over the past three years achieved through cooperative purchasing and participation in Premier's other services.

- Premier has led the group purchasing community in establishing standards for ethical business practices and methods to drive ethical practices. Through Premier's



Malcolm Baldrige National Quality Award

Named after the 26th Secretary of Commerce, the Malcolm Baldrige National Quality Award was established by Congress in 1987 to promote excellence in organizational performance, recognize the achievements and results of U.S. organizations, and publicize successful performance strategies. For more information, see <http://baldrige.nist.gov/>

efforts, all of the major health care organizations involved in cooperative purchasing have committed to publicly reporting key information.

- Premier's customer satisfaction levels of over 90 percent significantly exceed industry benchmarks.

- Premier's group purchasing business unit ranks first in the industry in annual volume of goods (\$27 billion) bought through group arrangements.

- Premier is partnering with the Centers for Medicare and Medicaid Services (CMS) in a voluntary national demonstration project aimed at improving the quality of inpatient health care. Through the Premier Hospital Quality Incentive Demonstration, CMS is rewarding top performing hospitals for high quality care by increasing their payments for Medicare patients. To date, the results show that participating hospitals have shown dramatic improvements in quality and performance. More than 1,200 lives have been saved among heart attack patients and quality of care has increased 12 percent in the 260 participating hospitals.

- For the past four years, the profitability of Premier Insurance Management Services (PIMS) has significantly outperformed the medical malpractice industry average, an indication of proper pricing of loss exposure and management of loss.

- Health Informatics' comparative databases of health care performance indicators are the most comprehensive in the industry, and the business unit's market share, as measured by number of clients, exceeds its nearest competitor by more than two-fold.

The success of these business units is shown through Premier's financial achievements.

- Between 2002 and 2006, Premier's consolidated pre-tax operating income increased from approximately \$140 million to approximately \$223 million, equaling or exceeding that of the alliance's largest competitor. Total revenues rose from approximately \$410 million to over \$500 million.

- During the same period, savings and cash returns to stockholders increased from approximately \$180 million to \$804 million.

- Operating margin grew from 35 percent in 2003 to 50 percent in 2006 and exceeded that of Premier's largest competitor in all years, while operating expenses have remained well below those of that competitor.

Ethics and Leadership

Premier has taken a leadership role in promoting best practices in ethical conduct, transparency, and accountability within its own organization and throughout the industry. In 1998, Premier instituted a Corporate Values Program and an employee Values Conference at which employees and senior leaders together discuss Premier's Core Values – focus on people, integrity, passion for performance, and innovation. Premier's Code of Conduct goes well beyond that of the Healthcare Industry Group Purchasing Association (HIGPA). In 2005, Premier's leadership sparked the creation of the Healthcare Group Purchasing Industry Initiative, a voluntary association of health care GPO's to encourage and sustain best ethical and business conduct practices.

Premier also has taken a leadership role in product safety and environmental concerns. In 1999, Premier founded and maintains the Premier Safety Institute to provide information, resources and tools to promote safety – not just among member hospitals, but throughout the health care industry. Premier's Environmentally Preferable Purchasing program provides information and resources about products and services that are environmentally friendly.

Customer Satisfaction

The hospital purchasing market is mature, with virtually 100 percent of hospitals aligned with at least one Group Purchasing Organization (GPO). Thus, retaining current members is key to maintaining the scale of membership required to attract competitive group contract terms.

- Overall retention of hospital members increased from 94 percent in 2002 to approximately 97 percent in 2006 and annual survey results show satisfaction levels above industry benchmarks.

Premier attributes this loyalty largely to the fact that the company's customers, who are also its owners, work closely with Premier and its employees to achieve their mutual goals. The most knowledgeable and engaged customers are on Premier's board of directors or on various owner committees that advise the board and the company's sourcing committee and advisory groups. All of Premier's owners and other customers have ready access to the company's information, staff, resources and services, particularly through Premier's field staff and its customer solution centers.

Supplier performance has a powerful impact on customer satisfaction. So, Premier established a Supplier Quality Program to ensure that Premier, its customers, and its suppliers share the same goals, and to provide a way to document and review supplier performance and reward supplier excellence.

- Between 2003 and 2005, the number of contract suppliers who have qualified for the program increased by 71 percent, bringing Premier closer to its goal of a 100 percent qualified contract supplier base.

Focus on People

Premier's core value of "focus on people" embodies the company's commitment to providing a safe, positive work environment and opportunities for career growth. Learning and development practices are designed to enable Premier's employees to meet the customer's requirements now and in the future, and cover new hire orientation, diversity, ethical business practices, management and leadership development, process management and improvement process, specific business unit skills, and employee, workplace and environmental safety.

Premier has established advanced employee development programs, including Premier's High Performance Development Program, The Leadership College, and tuition reimbursement. For leadership succession, the company uses the "Talent Pipeline" process to identify and develop future leaders. Results demonstrate that all these efforts are paying off.

- The percent of vacancies filled internally improved from 21 percent in 2003 to 32 percent in 2006, which exceeds Saratoga Institute's best practice benchmark of 22 percent for the past three years.

The company is driven by a "pay for performance" philosophy. Employees receive annual compensation incentives based on overall corporate performance and the attainment of unit or department goals. High performers are rewarded with annual lump sum or base pay increases, and every employee is eligible for variable incentive pay. Premier continues to improve its internal efficiencies, resulting in steadily increasing income per employee and outperforming its largest competitor.

- Between 2003 and 2006, operating income per employee grew from \$144,000 to \$225,000.

For more information:

GINNY STARNES, Communications Manager
Premier Inc.

2320 Cascade Pointe Blvd.

Charlotte, NC 28208

Telephone: (704) 733-5336

Email: Ginny_starnes@premierinc.com

Web site: <http://www.PremierInc.com>