



# FTC and DOJ Joint Hearing on Health Care and Competition Law and Policy

**Consorta, Inc.**

John W. Strong, President and CEO

September 26, 2003

# Agenda

- Consorta Overview and Background
- Contract Management – Our Philosophy
- Contracting Strategy
  - Bundling
  - Contract Term
  - Sole Source Contracting
- Final Thoughts – Market Reality

# Consorta Background

- **Founded May, 1998**
- **Illinois Business Corporation--Cooperative**
- **Owned by 12 Catholic Health Care Systems**
  - 55% of all U. S. Catholic Hospitals are Members
    - 474 Acute Care Sites; 54,600 Beds
    - 1,575 Non-Acute Care Sites
  - 3 Largest Catholic Health Systems in the U. S.
- **Purchase Volume: Approximately \$3 Billion Annually**
- **Sole Mission: Remove Cost from Owner's Supply Chain**
  - How?

**Consorta  
Code  
Of  
Conduct**

**Consorta  
Supplier  
Expectations**

## ***Purchase as a Group***

- Aggregate Volume to Obtain Price Discounts
- Commit Volume to One or More Suppliers
- Obtain Administrative Fee from Suppliers, Deduct Operating Expenses and Return Balance to Owners who Report Balance to Medicare

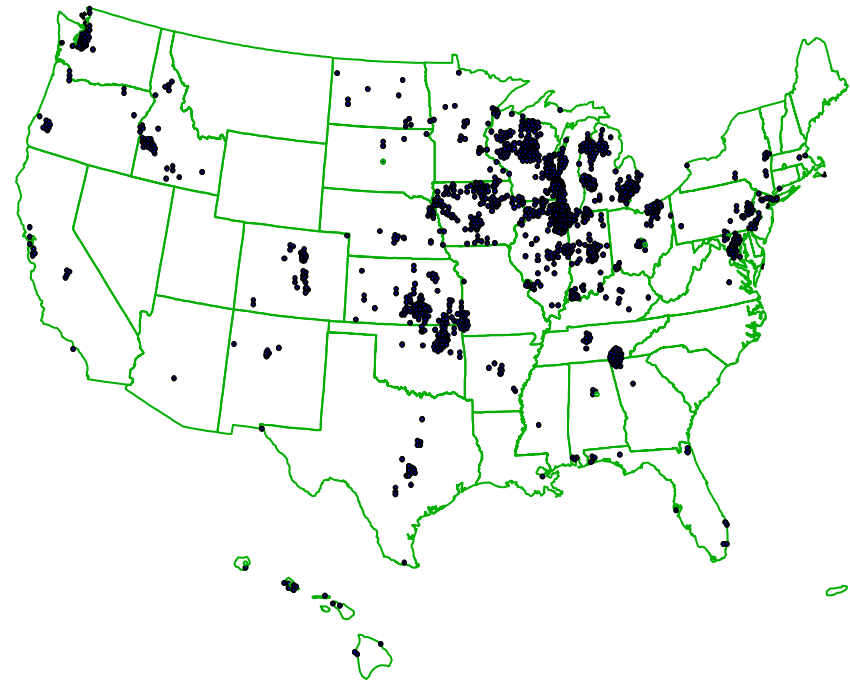
## ***Provide Supply Chain Management Tools***

- Conduct Product Evaluations
- Provide Information and Reporting
- Furnish Technology Assessment and Value Analysis Tools
- Product Conversion Assistance

# Consorta Shareholders

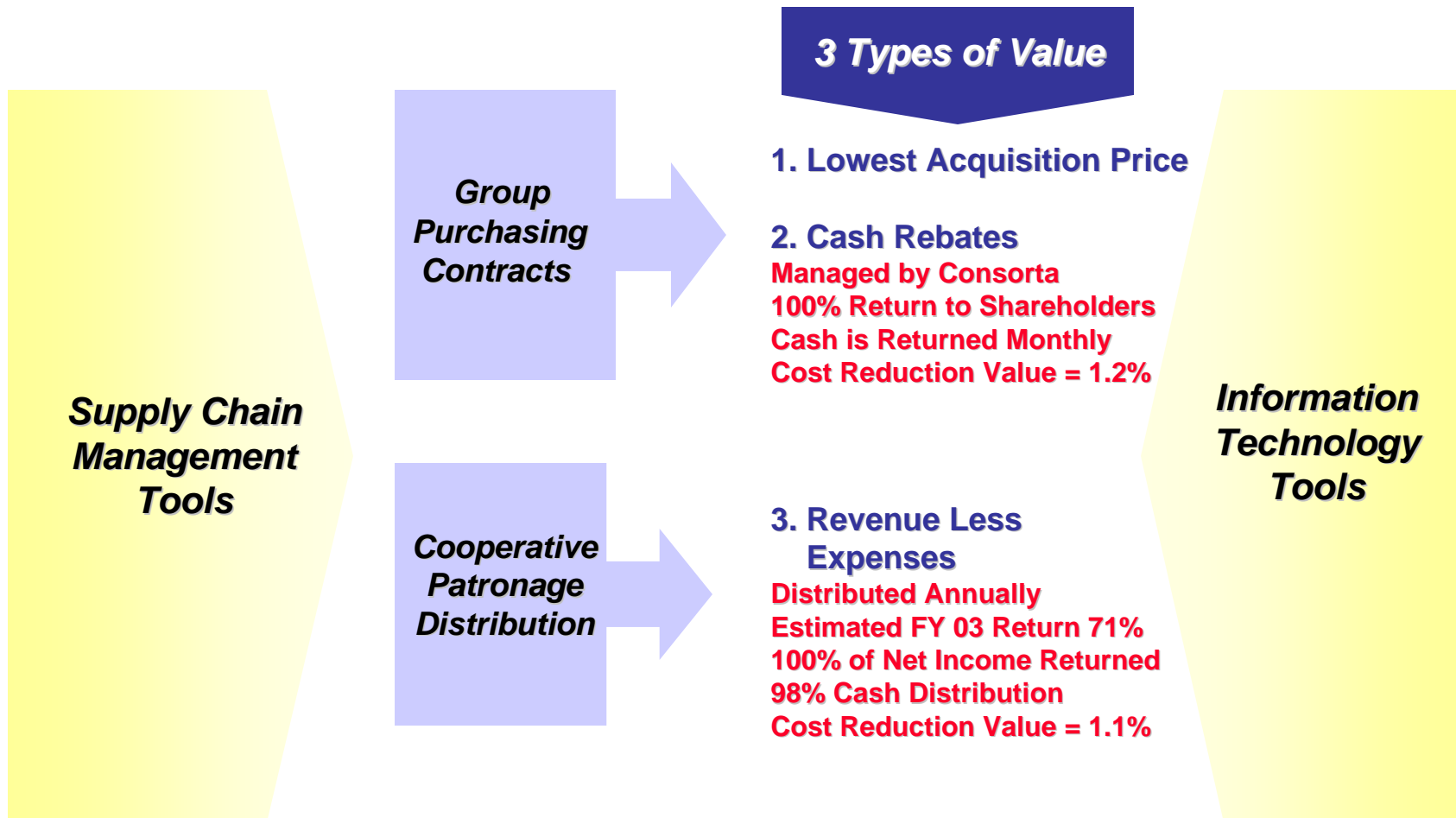
## 12 Owners of the Cooperative

- **Ascension Health** – St. Louis, MO
- **Caritas Christi Health Care** – Boston, MA
- **Catholic Health Initiatives** – Denver, CO
- **Hospital Sisters Health System** – Springfield, IL
- **Ministry Health Care** – Milwaukee, WI
- **Provena Health** – Mokena, IL
- **Sisters of St. Francis Health Services** – Mishawaka, IN
- **St. Clare's Health Services** – Denville, NJ
- **St. John Health System** – Tulsa, OK
- **Trinity Health** – Novi, MI
- **Via Christi Health System** – Wichita, KS
- **Wheaton Franciscan Services** – Wheaton, IL



# Consorta's Value Proposition

Significant Cost Savings and Value from Purchasing as a Group



# Consorta's Value Proposition

## Contract Administrative Fees (CAF)

CAF is Paid by Suppliers  
*For Services Rendered by the  
 Group Purchasing Organization*

- 1 Contract Versus Hundreds with Individual Facilities
- Contract Marketing and Visibility
- Contract Implementation Assistance
- Product Evaluation and Analytical Analysis

### 2 Models for Funding Consorta

#### CAF Funded Model

CAF/Other Revenue	\$45,544,000
Less Expenses and Taxes	<u>14,134,000</u>
Returned to Shareholders to Offset Supply Expense	<b>\$31,410,000</b>

#### Self (Owner) Funded Model

CAF/Other Revenue	\$ 0
Less Expenses and Taxes	<u>14,134,000</u>
Returned to Shareholders to Offset Supply Expense	<b>(14,134,000)</b>

# Business Strategy

## Net Income and Operating Margin Return

Net Income and Operating Margin

