

 HAWAII HEALTH SYSTEMS CORPORATION <i>"Touching Lives Everyday"</i>	Department: Corporate Finance	Policy No.: PUR 0012
	Issued by: COO/CFO Kelley Roberson	Revision No.: 2
Policies and Procedures	Approved by: Thomas M. Driskill, Jr. President & CEO	Effective Date: October 1, 2007
	Subject: Capital Equipment Purchase Review by Materials and Contract Management Teams	Supersedes Policy: November 1, 2006
		Page: 1 of 2

- I. **PURPOSE:** In order to obtain standardization of Hawaii Health Systems Corporation (HHSC) equipment and achieve financial and operating efficiencies, every possibility to standardize equipment within HHSC will be pursued. This policy sets forth a process for review of desired capital equipment purchases by the procurement staff in order to consider possible standardization.
- II. **POLICY:** The HHSC Chief Executive Officer (CEO) authorizes the Regional Materials Management Team to participate in the review of the annual equipment budgets in order to identify possible standardization/system procurement actions.
- III. **PROCEDURE:**
 - A. Corporate finance will forward annual facility budget equipment requests to the HHSC Director of Materials Management who will convene the Regional Materials Management Team and the Contract Management Team (collectively, "Teams") to review the equipment requests. These teams will confer with other subject matter teams, such as, the Bio-Tech team, to gain input into the feasibility of standardization of like purchases and discuss planning for anticipation purchases in upcoming years.
 - B. The Teams will forward standardization opportunities to the Executive Management Team (EMT) for approval. Additionally, the Teams will review capital expenditures on a quarterly basis to update any changes and the progress of the overall capital expenditures systemwide.
 - C. Capital equipment requests processed subsequent to the established annual equipment budget process will be processed as follows (the same way as the initial requests):
 - D. Regional Chief Financial Officer (CFO) submits the capital equipment request to the Regional System Board and to the HHSC Board.

- E. The Regional CEO also presents the capital equipment request to the EMT for review and discussion.
- F. Upon approval of the capital budget by the boards, the Regional Materials Management and Contract Management Teams will review for possible standardization and to discuss a procurement plan for efficient purchasing..

IV. **APPLICABILITY:** All HHSC facilities, regions and HHSC Corporate staff.

V. **REFERENCES:** HRS 323F;

VI. **DEFINITIONS:**

- A. **Standardization** can apply to vendor, price, or product. HHSC may determine that standardization with one vendor for a particular commodity group will add value and cost reduction.
- B. **Price** stability for all facilities within the system is attained when volume tier levels are calculated using the group method, thereby allowing the smaller volume facilities to benefit from the system cost.
- C. **Product Standardization** is achieved when there is an agreement within HHSC to utilize the same product exclusively for a certain procedure in order to gain cost savings and economies of scale through bulk purchasing of uniform equipment and/or supplies.
- D. **Standardization of Medical Technology** may occur with equipment differences for given hospitals in a system. This is based on varying hospital sizes and clinical services and the degree of sophistication or capacity. The flexibility to negotiate with two different vendors for two different models is inherent in this rationale.