



History of Baldrige award winner angers some

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By Del Jones, USA TODAY

Some medical companies are outraged that a Malcolm Baldrige National Quality Award was won this year by Premier, a company they say takes legal kickbacks from big medical manufacturers to unfairly suppress competition.

Premier CEO Richard Norling is on the board of directors of the Baldrige Foundation, which raises private money for the 20-year-old award enacted by Congress to promote quality in business. Thomas Shaw, CEO of Retractable Technologies, says it's obvious to him that Premier used its influence to win. "I was shocked and horrified," he said. "If it was a prestigious award, it no longer is."

Premier spokesman Blair Childs says Norling offered to resign from the Baldrige board when Premier learned it was in the running. Harry Hertz, director of the Baldrige National Quality Program, says that there was no need for him to resign because the board members and contributors to the foundation have no influence over who wins.

Premier is a San Diego-based group purchasing organization (GPO). More than 1,500 hospitals and 42,000 doctors, pharmacies and other health care providers bought \$27 billion of medical supplies and services during the past year through Premier's group contracts. The goal is volume discounts, and GPOs were given an antitrust exemption by Congress in 1986 that allows them to legally accept money from large medical companies such as Johnson & Johnson and Becton Dickinson to help subsidize their operating expenses.

The congressional exemption was intended to help small hospitals save money but has created a purchasing cartel influenced by the big players that keeps innovative products off the market, says Mark Leahy, executive director of the Medical Device Manufacturers Association, a trade group representing smaller companies trying to get the exemption repealed.

Meanwhile, some companies are suing, claiming anti-competitive practices, and Premier has been settling lawsuits out of court. It agreed to pay \$8.8 million to catheter-maker Rochester Medical the day before the Baldrige winners were announced Nov. 21. Premier has been sued by four companies, all represented by the same two law firms. Childs said that the lawsuits are without merit and that Premier doesn't admit liability but settles to avoid litigation costs.

A Senate Antitrust Subcommittee has been investigating the industry since 2002. In that time, Premier's practices have not improved, says Shaw, whose company makes a product that helps prevent accidental needle sticks. In 2003, it won a \$55 million settlement against GPOs Premier and Novation, and Tyco, maker of a competing product.

Childs denies that: "We've changed the ways we do things to make sure we are above reproach to the extent humanly possible."

Hertz said the judges knew of Premier's background. Premier's leadership in setting industry ethical guidelines factored into the judges' decision to make it the winner in the service category, he said.

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