

Managing GPO's Against Your Direct Contracts

2019 AFS USER CONFERENCE

*“Enhancing the Value of Today’s Consumer Goods Manufacturers and
Distributors Through Advanced Analytics - WiiFM”*



Speaker Introduction

Nadine Burke, Support Manager

AFS Technologies

Nadine has 10 years of experience in Foodservice. Her background began in settlement services and account management to her current role as Support Manager. Over the years she has gathered experience by working with all of our clients.

Agenda

1. GPO's Benefit and Challenges
2. Gregory Packaging vs Foodbuy
3. Breaking Down the Dispute
4. Manage GPO Business Going Forward

GPO's – Benefits and Challenges

- Increase sales
- Complex Terms
- Membership
- Distribution
- Products

BREAKING NEWS!

Womble Bond Dickinson Client Gregory Packaging, Inc. Wins Multi-Million Dollar Contractual Dispute with Group Purchasing Organization (GPO) in Federal Court

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November 12, 2018 11:42 ET | Source: Womble Bond Dickinson

CHARLOTTE, NC, Nov. 12, 2018 (GLOBE NEWSWIRE) -- Gregory Packaging, Inc., the manufacturer of juice under the Suncup brand, has won a \$9.3 million judgment against Foodbuy, LLC, the largest foodservice Group Purchasing Organization (GPO) in the nation.

Awarded \$9.3 Million

The Case: Foodbuy vs Gregory Packaging

What happened

1. Gregory Packaging refused to pay their last four invoices to Foodbuy, allegedly they were over-invoiced for millions of dollars' worth of volume allowances during their five-year agreement
2. Foodbuy sued Gregory Packaging for approximately \$1 million for unpaid volume allowances
3. Gregory Packaging counter claimed alleging over-invoicing was a breach of the supplier agreement

Court awarded Gregory Packaging \$7.06M in damages and \$2.21M in interest



The Case: Foodbuy vs Gregory Packaging

The Factors in the Decision

- Foodbuy admitted that direct deals “are excluded from the supplier agreement and, thus, a volume allowance is not owed on those cases.”
 - Foodbuy invoiced Gregory Packaging for allowances on those cases
- Foodbuy relies on being notified by a supplier that a purchase was made through a direct deal, otherwise Foodbuy invoices for that purchase



The Case: Foodbuy vs Gregory Packaging

The Outcome

- Court agreed Gregory Packaging had been over-invoiced

“Foodbuy simply bills for every case they receive information about from the distributor, and then waits for manufacturers to bring issues to them.”

(Chief Judge Frank D. Whitney)



Breaking Down the Dispute

Direct Deals were still being billed back by GPO causing Double Dips

GPO Billed for Distributors the Manufacturer didn't do Business with

GPO Billed for Items they didn't Sell

Direct Deals

Direct Deals were still being billed back by GPO causing Double Dips

Communication is Key

- Engage Regional Managers about their direct deals
- GPO National Account Managers and GPO: timely notification of exclusions
- Distributor Data
 - Can they help by excluding data related to direct deals from their reports to the GPOs?
 - Can they identify direct deal volume with an indicator or the program name in their reports?

Direct Deals - Auditing

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- Regularly Monitor Activity
- Detailed Operator End User Data is crucial

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Unit Name	Distributor Name	SKU	Contract	Seller Invoice Date	Count of Claims	Qty	Allowed Amt	
SAN MANUAL INDIAN BINGO & CASINO	US FOODS CORONA/4U1234		Foodbuy/Compass	9/5/2018	2	3	25.53	
				11/1/2018	1	2	17.02	
				11/2/2018	1	1	8.51	
				11/3/2018	1	1	8.51	
	San Manuel Casino Contract				9/5/2018	1	2	17.02
					11/1/2018	1	1	8.51
					11/2/2018	1	1	8.51
					11/3/2018	1	2	17.02

AFS Multi Dip Reporting – Gain visibility to Operator End User Information and identify spend overlap of contracts for the same unit during the same time frame

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GPO Billed for Distributors the Manufacturer didn't do Business with

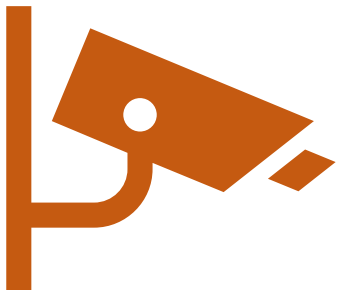
GPO Billed for Items They Didn't Sell

Billing for Invalid Distributors

GPO Billed for Distributors the Manufacturer didn't do Business with

Foodbuy submitted all the data they received from their members, whether it was relevant and eligible or not.

Foodbuy expects manufacturers to own validation of data.

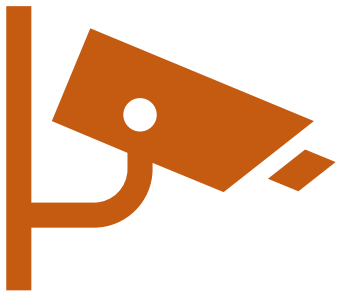


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AFS Claims Settlement Process can flag ineligible customers for you, so you can address these ahead of time and decide to allow or deny a claim.

G2 Analytics

GPO Billed for Distributors the Manufacturer didn't do Business with

- Sales Reporting
 - Quickly identify direct and indirect sales.
 - Gain insights into whether a distributor truly did not buy certain products or bought indirect
- Contracted vs Street
 - See overall purchases compared to contracted programs for complete visibility

Description	Sales Dollars TY 9/2018	Sales Dollars LY 9/2017	Sales Cases TY 9/2018	Sales Cases LY 9/2017
DIRECT	\$54,485,165.19	\$53,161,994.73		
INDIRECT FROM RE-D	\$6,248,880.39	\$6,171,950.60		

Sales Dollars TY 9/2018	Contracted Sales Dollars TY 9/2018	Contracted Sales Dollars % TY	Street Sales Dollars TY	Street Sales Dollars % TY	Paid Spend Dollars TY 9/2018
\$2,082,951.66	\$920,872.12	44.20 %	\$1,162,079.54	55.79 %	\$458,104.57

Breaking Down the Dispute

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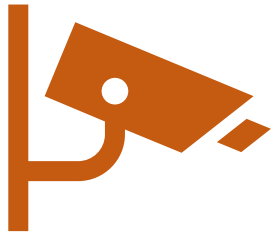
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GPO Billed for Items They Didn't Sell

Billing for Invalid Products

GPO Billed for Items They Didn't Sell

- Contract Accuracy – Limit contracts to only eligible items
- Tolerances and Overrides – Monitor your tolerances and communicate to sales if any discrepancies warrant further review

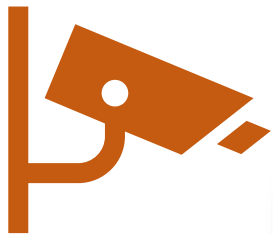


Billing for Invalid Products

GPO Billed for Items They Didn't Sell

- Contract Accuracy – Limit contracts to only eligible items
- Tolerances and Overrides – Monitor your tolerances and communicate to sales if any discrepancies warrant further review

Analyze payments made outside of what the contract allowed in aggregate with our Discrepancy Report!



Claimant	Last Pending before Tolerance Paid	Product Name / Item Event Name	Sum of Tolerance Amount Paid \$
Foodbuy	Ineligible SKU	Footlong Hot Dogs	\$88.04
		Giant Jar of Relish	\$62.69
		Hot Dog Buns	\$35.04
Grand Total			\$185.77

Going Forward

Transparency and accountability



Communication and Validation

Going Forward

Transparency and accountability



Communication and Validation

The GPOs

- Operator End user reporting
- Full Distributor detail in billbacks
- Audit claims during or post processing
- Communicate timely

Going Forward

Transparency and accountability



Communication and Validation

The GPOs

- Request operator end user reporting
- Full Distributor detail in billbacks
- Audit claims during or post processing
- Communicate timely

The Distributors

- Encourage distributors to provide detailed electronic data
- Encourage distributors to only submit data relevant to the GPO program and exclude or identify data related to direct programs.

THANK YOU!

Q & A

Next Session: 360 View – Is It Possible?



Microsoft



ZEBRA

Honeywell