

2006 ANNUAL REPORT

V I S I O N

V O I C E

C O N N E C T I O N

V A L U E

R E S U L T S

WHAT MATTERS TO OUR MEMBERS MATTERS TO US





W H A T M A T T E R S T O O U R M E M B E R S

*OUR CORE PURPOSE WILL NOT CHANGE –  
CONTINUE TO DELIVER CONTRACT SAVINGS  
AND DRIVE MORE VALUE BEYOND THE BOTTOM LINE.  
IT MATTERS TO OUR MEMBERS, SO IT MATTERS TO US.*

# V I S I O N

## Achieving a vision matters

Medbuy's Member healthcare organizations know a vital and strong healthcare supply chain is critical to achieve their goals. Medbuy's purpose is to help them succeed.

In working to this end, Medbuy has experienced tremendous growth over the past two years. We have increased our membership by 22% and grown contracted purchases by 58%. As a result, we have doubled rebates collected on behalf of our Members to nearly \$30 million. All the while, we've stayed on course to achieve our own vision to be recognized as Canada's leading group purchasing organization.

These achievements are the culmination of ambitious strategic objectives that Medbuy set in 2005 when we made e-commerce initiatives the centerpiece of our organization's plan. While the implementation of mSourcing, Medbuy's spend management system, has been a tremendous amount of work, the results are already significant and will continue to set the stage for a vibrant and healthy future at Medbuy.

Leadership and vision extends beyond the bottom line at Medbuy to issues of importance for our membership. Since 2004, nearly \$1.5 million has been invested from our Endowment Fund into various research and education initiatives such as the pan-Canadian broadcast of the Institute for Healthcare Improvement's Annual Forum and our support of the Canadian Association of Paediatric Health Centres.

Medbuy is about to set a new course for the next three years and build upon what we've accomplished. However, our core purpose will not change – continue to deliver contract savings and drive more value beyond the bottom line. It matters to our Members, so it matters to us.

RICK COCHRANE

PRESIDENT & CEO

MEDBUY CORPORATION

M A T T E R S   T O   U S

TWO



W H A T   M A T T E R S   T O   O U R   M E M B E R S

*MEDBUY GIVES A VOICE TO NEARLY  
350 HEALTHCARE FACILITIES  
IN BRITISH COLUMBIA, NEW BRUNSWICK,  
NOVA SCOTIA AND ONTARIO.*

# V O I C E

## Having a voice matters

Medbuy is structured so that Member hospitals and healthcare organizations make the decisions and shape direction. Members are our voice and we are the forum for their voices to be heard.

"We, as Members, can articulate our needs," says Cynthia Chesler, Regional Director, Erie/St. Clair Integrated Supply Chain, which includes all hospitals in the southernmost tip of Ontario. "Most important is that we all have equal input...large or small, east or west, we're all the same."

The result of Member input is significant collective savings on a wide range of supplies and services that are important to their everyday operations. In addition, millions of dollars are returned directly to Members from supplier rebates.

In 2006, Members asked for a way to realize even further savings. That's why Chatham-Kent Health Alliance, Guelph General Hospital and Atlantic Health Sciences Corporation participated in a unique Data Management pilot project. Medbuy extracted and examined purchasing data to uncover potential savings such as price error recovery and new contract opportunities. A full-scale program is now being rolled out across the membership.

The Data Management project received partial funding through a grant from OntarioBuys, a program designed to modernize the province's public sector supply chain. Medbuy was the first non-hospital to receive such a grant, which totaled \$1 million, giving us a collective voice in a different, but equally as important environment.

CYNTHIA CHESLER

REGIONAL DIRECTOR

ERIE/ST. CLAIR

INTEGRATED SUPPLY CHAIN

M A T T E R S   T O   U S

FOUR



W H A T   M A T T E R S   T O   O U R   M E M B E R S

*SUPPLIER CONTRIBUTIONS TO MEMBER  
EDUCATION AND RESEARCH OFFER UNIQUE  
FORUMS TO LEARN, EXPLORE AND DISCUSS  
CURRENT CLINICAL PRACTICE ISSUES.*

# C O N N E C T I O N

## Connecting Members and Suppliers matters

Real partnership means not only contracting supplies and services, but also delivering additional service and value. This is a connection that brings Medbuy Members together with many of Canada's leading healthcare manufacturers and distributors.

"We see Medbuy Members as partners," says Bruce MacDonald, AMT Electrosurgery's Managing Director.

"We not only provide products, but also help Canada's hospitals to continue to provide great patient care."

AMT Electrosurgery, a national supplier of electrosurgical and smoke evacuation products, has been a Medbuy partner since 1999. The company also offers on-site Member service such as product training and service, educational workshops and biomedical training.

Beyond invoice savings and rebates, many suppliers contribute to Member education and research through Medbuy's Endowment Fund or sponsorship of exclusive Member education opportunities that provide knowledge and support for healthcare professionals.

A relationship with Medbuy and its Members also contributes to supplier success. For AMT, the connection means an enhanced presence in the Canadian marketplace, expansion of product lines and more partnerships within the healthcare industry.

"It's a relationship that creates a common purpose and collaboration," says MacDonald. "We value working with Medbuy and its Members to see how, together, we can respond to changing needs, integrate safety and performance and make continuing advancements in healthcare."

It's a connection that matters.

BRUCE MACDONALD

MANAGING DIRECTOR

AMT ELECTROSURGERY

M A T T E R S T O U S

S I X



W H A T M A T T E R S T O O U R M E M B E R S

*MSOURCING IS A KEY INITIATIVE TO  
FURTHER MAXIMIZE VALUE FOR OUR MEMBERS.  
IT IMPROVES CONTRACT EFFICIENCY AND DATA MANAGEMENT  
AND STRENGTHENS OUR ANALYTICAL CAPABILITIES.*

# V A L U E

## Adding value matters

Medbuy provides valuable tools and opportunities for Members. That's why we launched mSourcing, Medbuy's spend management system, comprised of multiple software applications that support excellence in contracting.

"mSourcing is a key initiative to further maximize value for our Members. It improves contract efficiency and data management and strengthens our analytical capabilities," says Cyndy Donnell, Medbuy's Vice President of Contract Planning. A critical component of mSourcing is the e-Catalogue, an easy-to-search online product catalogue of the more than 23,000 products for which Medbuy contracts.

Medbuy also adds value by supporting issues of importance to Members through our Endowment Fund, which provides financial support for a wide range of educational opportunities, research projects and industry events. Medbuy's national sponsorship of the Canadian satellite broadcast of the Institute for Healthcare Improvement's Annual Forum on Quality Improvement in Health Care is one such example. The broadcast was offered in partnership with the Canadian Patient Safety Institute and the Canadian Association of Paediatric Health Centres, two of our many strategic partners. Nearly 2,500 health care professionals from 55 sites across Canada learned about leading practices in patient safety, quality improvement and governance.

The Endowment Fund also enables hundreds of healthcare professionals who work at our Member organizations to attend seminars, workshops and industry events or achieve professional accreditation. This invaluable knowledge means that in our own way, Medbuy's activities touch patient care where it matters – at the bedside.

CYNDY DONNELL

VP CONTRACT PLANNING

MEDBUY CORPORATION

M A T T E R S T O U S

E I G H T



W H A T   M A T T E R S   T O   O U R   M E M B E R S

*WE ARE IN CHARGE OF MANAGING  
PUBLIC MONEY SO IT'S CRITICAL  
THAT WE DELIVER VALUE IN  
AN OPEN AND TRANSPARENT WAY.*

# R E S U L T S

## Increasing Member returns matters

Today, Medbuy has grown to 21 shareholder Members and contracts more than \$511 million worth of goods and services across all portfolios.

Along with Medbuy's growth, we've maintained high productivity. Every year, we strive not only to grow the amount we contract, but also the number of dollars returned to Members in the form of rebates.

"It is important to note that Medbuy understands and appreciates its role in the public healthcare supply chain," says Bill Bouwmeester, Medbuy's CFO and Vice President Administration. "We are in charge of managing public money so it's critical that we deliver value in an open and transparent way."

Despite an increase in operating expenses due to high investment in future initiatives designed to significantly increase our Members' ROI, Medbuy still returned more than \$24 million in rebates to Member hospitals and healthcare organizations – exceeding our goal for 2006.

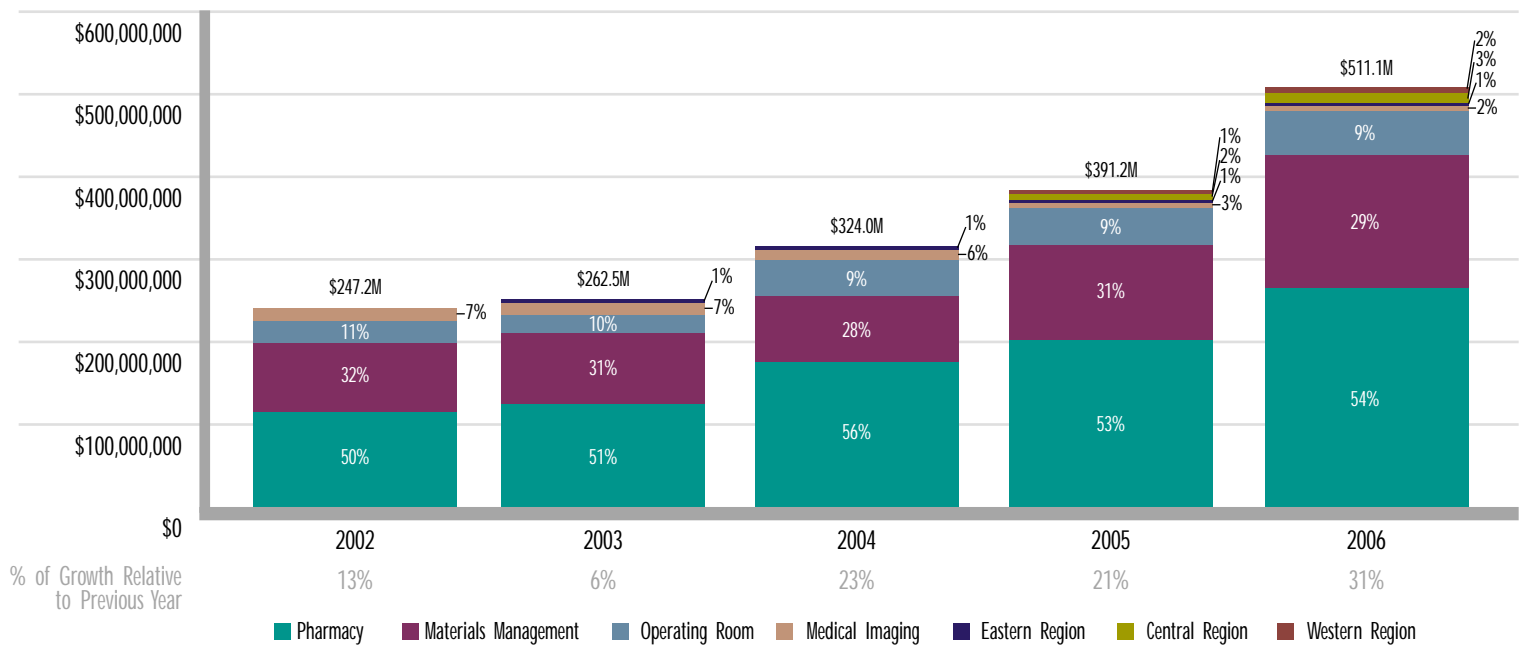
These are the results that matter to our Members' bottom lines.

**BILL BOUWMEESTER**  
CFO & VP ADMINISTRATION  
MEDBUY CORPORATION

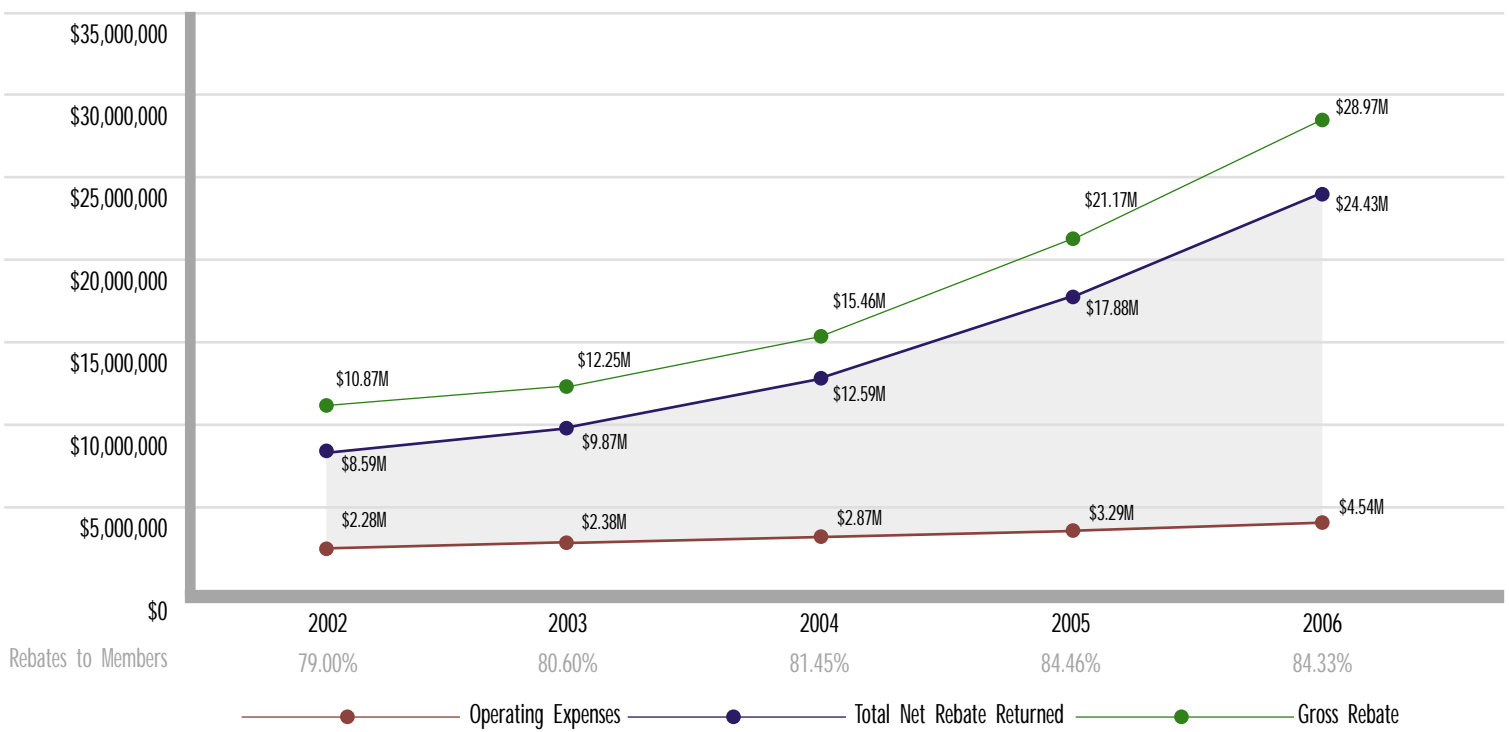
M A T T E R S   T O   U S

T E N

## Medbuy Corporation Annual Purchase Trend



## Medbuy Corporation Total Rebate Returned to Members



W H A T M A T T E R S T O O U R M E M B E R S

## 2006 Endowment Fund Report

Medbuy's Endowment Fund is another unique benefit of membership.

Since it was established in 1996, the Fund has served as a strategic tool to support Member education opportunities, sponsor industry conferences and fund research across all Medbuy portfolios.

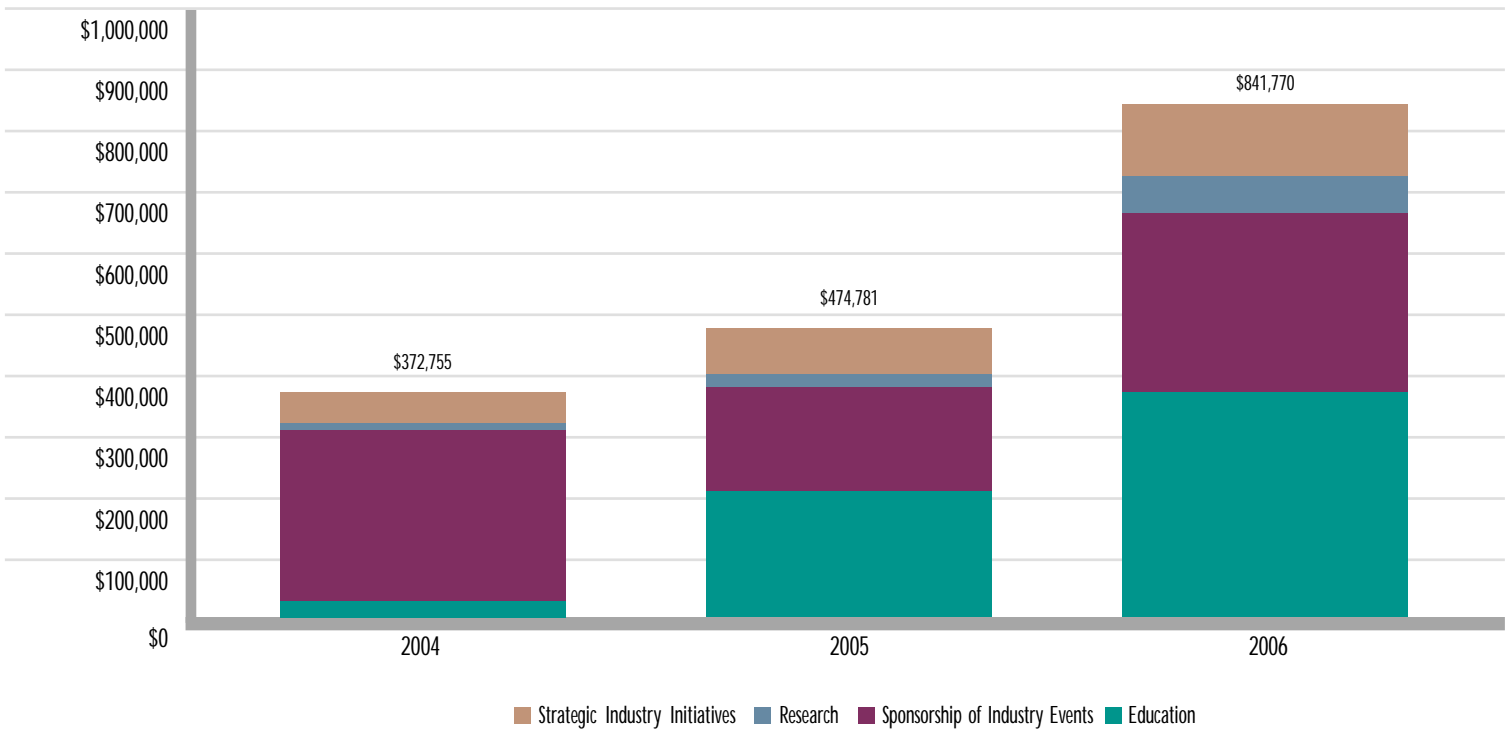
Fifteen per cent of the annual supplier contributions to the Endowment are dedicated to the Strategic Fund, which serves an additional purpose – to benefit the entire healthcare industry regardless of membership.

The Endowment is governed by a central committee, currently chaired by Medbuy Board of Directors' representative Alan Mongraw of New Brunswick's Regional Health Authority 1, while each portfolio has its own sub-committee to assess and allocate funds to specific projects.

2004-06 Statement of Activity for the year ending Dec. 31, 2006

	2004	2005	2006
<b>OPENING BALANCE</b>	\$908,323	\$959,416	\$1,087,020
<b>RECEIPTS</b>			
<i>Endowment Funds Received</i>			
Pharmacy	\$166,522	\$268,918	\$331,285
Materials Management	\$138,986	\$186,899	\$66,104
Medical Imaging	\$91,856	\$73,582	\$53,693
Operating Room	\$24,328	\$67,801	\$167,791
Eastern Region	\$3,364	\$5,758	\$5,270
Central Region	-	-	\$587
Western Region	-	-	\$3,885
<b>TOTAL RECEIPTS</b>	\$425,056	\$602,958	\$628,615
<b>EXPENDITURES</b>			
Education	\$33,809	\$216,736	\$367,074
Sponsorship of Industry Events	\$284,466	\$174,696	\$291,278
Research	\$8,342	\$19,893	\$63,418
Strategic Industry Initiatives	\$46,138	\$63,456	\$120,000
<b>TOTAL EXPENDITURES</b>	\$372,755	\$474,781	\$841,770
<b>CLOSING BALANCE</b>	\$959,416	\$1,087,020	\$874,434

## Medbuy Corporation Endowment Project Expenditures



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R E S U L T S

### **About Medbuy**

Medbuy is Canada's leading healthcare Group Purchasing Organization, harnessing the purchasing power of 35% of Canada's hospitals and healthcare organizations. We deliver the best net price for healthcare supplies, pharmaceuticals and services, at the lowest cost, and secure value-added benefits that enhance our Members' knowledge base. Medbuy helps healthcare organizations to maximize their supply chain savings, which enables them to reinvest dollars where it counts – into patient care. For more information, go to [www.medbuy.ca](http://www.medbuy.ca).



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