

Memo

Jim Francis

Chair

Supply Chain Management

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Date: December 15, 2010

To: Valued Supply Partner

Re: Future Price Increases

Healthcare organizations continue to face many challenges including healthcare reform, declining reimbursement, soaring costs of new technologies, and ongoing economic uncertainty. These challenges have forced Mayo Clinic to reduce expenses while continuing to provide the highest quality healthcare. In light of Mayo's strategic plan to modify our operations to a level that can function at Medicare reimbursement rates, Mayo Clinic cannot absorb any price increases on supplies, drugs, equipment, and services that would offset labor and operational expense reduction efforts. Due to this, Mayo Clinic will not be accepting any supplier price increases in 2011 and beyond. We have moved to a no price increase policy indefinitely. The expectation of all business partners is to become more efficient in manufacturing and operations in order to absorb cost fluctuations similar to what healthcare providers have been forced to accommodate.

We welcome your ideas on driving cost out of the supply chain in order to lower the overall cost of delivering healthcare as well as mutually beneficial operating efficiencies or price decreases that may be available as a result of new market dynamics. If you would like to discuss possible solutions, we encourage you to schedule a conversation with your primary contact within our Supply Chain Management division.

Please communicate this information to your colleagues and teammates, as applicable, across your organization.

Best regards,

James R. Francis

cc: Barry Cohrs, Manager – IT Contracting
Mark Dozier, Director – Sourcing & Contracting
James Marttila, Director – Pharmaceutical Contracting