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Partnership Guide for Professional and Consulting Services

Version 3.0

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1. Introduction

The purpose of this document is to establish a set of guidelines for suppliers who provide professional or consulting services to Boston Scientific. This document is intended to provide a consistent set of "rules of engagement" that will ensure a successful outcome for Boston Scientific and our service providers.

It is acknowledged that each project, type of service, time frame, and scope is unique. Therefore this Partnership Guide does not attempt to prescribe every aspect of the relationship. However, there are many elements that are prerequisites to a successful relationship and these aspects should be considered as "non-negotiable". These elements will be called out in the guide.

There are 5 guiding principals that Boston Scientific uses when engaging outside professional services:

1. **Engage only the most experienced, skilled practitioners available for a particular project**
2. **Pay only for deliverables and value-added services**
3. **Pay market rates for the job being performed – not the individual performing the job**
4. **Continually strive to minimize project expenses**
5. **Prioritize knowledge transfer from consultants to their Boston Scientific counterparts**

Changes from earlier versions of the Partnership Guide

Version 3.0 of this Partnership Guide contains clarifications and additions based on user feedback and new Boston Scientific policies. Major changes include:

- **COSRA** - Requirement to execute a COSRA form prior to beginning any professional services engagement
- **Purchase Orders** - Requirement to have a Purchase Order prior to beginning any engagement
- **Payment Terms** - Standard payment terms of net 60 days with a prompt pay discount option of 15 days for a 2% discount
- **Headcount Approvals** - Reference to the Human Resources headcount approval process for all contractors and defined term hires
- **Travel Policy** - Require that all consultants traveling on company business comply with the Boston Scientific travel policy and use the Boston Scientific travel office to make trip reservations whenever feasible.

Scope of this Guide

Consulting vs. Staff Augmentation

There are two tests for determining independent contractor status: the “Common Law Test” and the “IRS 20-Factor Test.”

The Common Law Test determines whether a worker is an employee, as opposed to an independent consultant, by analyzing the level of control an employer exerts over the worker.

IRS 20-Factor Test uses a 20-question test to assess the level of control and to assist in determining whether the worker is free from direction and control and therefore an independent consultant.

Adding contractors or defined term employee headcount must be approved through site Human Resources procedures

This Partnership Guide applies only to independent consultants

Legal Considerations

This Partnership Guide should not be used in lieu of a formal Master Services Agreement and/or Statement of Work that has been reviewed and approved by Boston Scientific lawyers. However, this Guide should be used as a basis for identifying, documenting, and formalizing elements of the relationship and for preparing the necessary legal agreements.

Consistency of Practice

It would be difficult to create a Consulting and Professional Services Relationship Handbook that covers all possible types of service and every scenario across all Boston Scientific locations and business units. However, there are certain basic “rules of engagement” that should be followed consistently regardless of the nature of the engagement. This Relationship Handbook highlights these elements that should be followed by all locations and business units and all consulting engagements.

Audience

This Handbook is intended to be used by the following groups:

- **Functional organizations** (e.g., HR, IS, Finance, Marketing, etc.) that need to contract for consulting services in order to understand how Boston Scientific contracts for these services and to better work with the service providers
- **Service Providers** (e.g., consulting companies, individual consultants) that are currently providing, or wish to provide services to Boston Scientific in order to understand and comply with how we do business
- **COSRA and Purchase Requisition Approvers** to ensure that the consulting services being contracted will provide the best value for Boston Scientific
- **Project managers** to better leverage and control consultants who are providing services to a project
- **Procurement** who will partner with Functional Organizations to conduct competitive bids and contract for consulting and professional services

2. Roles and Responsibilities

Each member of the BSC/Consultant Team has defined responsibilities in the engagement. Although they may differ from project to project, the following role definitions should be used as a guide:

BSC Roles

- Project Sponsor – The Sponsor is responsible for determining the project scope, securing funding for the project, and serving as the executive relationship manager with the service provider. The Sponsor is also responsible for obtaining suitable resources for the project, getting support from other senior managers and resolving organizational issues if they arise.

The sponsor will also ensure that engagement documentation is complete and in place. This will include the Master Services Agreements (MSA), Statement of Work (SoW), Confidentiality Disclosure Agreement (CDA), COSRA form, approved purchase requisition, and purchase order.
- Project Manager – The Project Manager is responsible for the day-to-day execution of the project. They will work with the service provider to ensure that deliverables and milestones are met. Working with their consulting counterpart, they are responsible for creating and maintaining the project plan.
- Team Members – BSC team member roles will vary by the project. They will work closely with their consultant counterparts when required. They will be expected to learn and use the knowledge imparted from their consulting counterpart.
- Global Sourcing – A sourcing manager can be used to negotiate the cost, terms, and conditions of an engagement.

Service Provider Roles

- Project Partner – The Partner, or most senior representative of the consultancy is responsible for understanding the requirements, preparing the project proposal, and executing the MSA, and SoW. They will also ensure that the best resources are assigned to the project and that resumes and personal CDA's are submitted when required. They are available for consultation if project issues arise. They will ensure that each of their consultants is focused on producing the highest quality deliverables, and are making knowledge transfer a top priority. The Project Partner will ensure that they have a copy of the signed Purchase Order PRIOR TO beginning any work. Boston Scientific will not pay for any work performed before a PO has been issued.
- Project Manager - The Project Manager is responsible for the day-to-day execution of the project. They will ensure that all milestones and deliverables are completed on time and are consistent with agree-to formats. They will also ensure that all consultants understand the objectives of the project, adhere to all travel and expense policies, and use their time in the most effective and efficient way possible. They are dedicated to sharing knowledge with their Boston Scientific counterparts.
- Consultant – The consultant is responsible for providing the best service and producing the highest quality deliverables. Consultants agree to travel on their own time when required by the project. They must be committed to meeting the project objectives and milestones regardless of the roadblocks encountered. They are dedicated to sharing knowledge with their Boston Scientific counterparts.

- All Roles – Every service provider must understand and believe that their efforts directly contribute to the quality of patient care. Each consultant must understand and be able to articulate our Mission Statement:

Our Mission

Boston Scientific's mission is to improve the quality of patient care and the productivity of health care delivery through the development and advocacy of less-invasive medical devices and procedures. This is accomplished through the continuing refinement of existing products and procedures and the investigation and development of new technologies that can reduce risk, trauma, cost, procedure time and the need for aftercare.

3. Project Documentation

Proper project documentation ensures a successful project outcome through clear communication of expectations. This documentation should not be confused with project deliverables that must be defined prior to the start of the project. The documents outlined below represent the minimum best practices in project documentation:

- CDA – Confidential Disclosure Agreement must be in place if Boston Scientific is providing any information to the service provider in order to prepare a bid for services. CDA language is included in the standard MSA and is therefore not required if an MSA will be executed.
- MSA – Master Services Agreement should be executed if there will be an extended relationship between the service provider and Boston Scientific, or if this single project will span 2 or more months. The MSA is intended to document the overall relationship between the two parties and to streamline the process of creating separate Statements of Work (SoW's) for individual projects. A sample MSA for consulting services is attached to this Relationship Guide.
- SoW – Statement of Work must be executed for every project. This document details the scope, deliverables, billing rates, expense reimbursement rules, and other pertinent project elements. This is the governing document for each project. Many of the issues that surface in a project can be mitigated by careful drafting of the statement of work (SoW). This document must be comprehensive, because services generally require objective criteria against which to measure the service level. In fact, this may be the most important part of a services contract.
- Change Orders – If the scope or budget of a project changes, a Change Order document must be created and signed by both parties. The Change Order will be an addendum to the appropriate MSA and SoW. If a change order is not fully executed the Service Provider may be prevented from charging for their services or expenses over what was agreed to in the SoW. Verbal agreements are not necessarily legally binding and should therefore be avoided.
- Purchase Requisition and Purchase Order – The purchase requisition is an internal Boston Scientific document that must be signed by a manager with appropriate signature authorization for the cost center paying for the project. The requisition is a prerequisite for purchasing to create a Purchase Order. **A PO is mandatory** for all projects. Service providers MUST reference the purchase order and line number on all invoices or they will be refused for payment or greatly delayed in payment.
- COSRA – Consulting and Outside Services Request Authorization is an internal Boston Scientific form that must be completed for all professional services engagements over \$25,000. In addition, a COSRA form must be completed for all change orders that increase the scope of cost of the project and when a new purchase requisition must be created. Boston Scientific project sponsors and services providers must allow enough time for this form to be manually routed for signatures.
- Project Plan – The Project Plan is required for every project. It details the activities, milestones, resources, and deliverables for each phase of the project. The project plan can vary in its level of

detail but in all cases it must be contain enough information for the project managers to measure the project's progress.

4. Project Management

- A. Project Management Techniques - Every project or engagement needs a project plan. The format of the plan is not prescribed, however it should be sufficiently detailed as to define exactly what work will be performed, how long it will take, who is responsible, and what is the resulting deliverable. When milestone billing is used as a method of payment, it is especially important to define the milestone date and the expected deliverables. It is highly recommended that a project management tool such as MS Project be used.
- B. Billing Methods – There are several methods that can be used to determine the fee structure for a project. There is, however, one overriding principal employed by Boston Scientific:

"Boston Scientific pays for results, not effort"

Therefore, the preferred methods of billing are listed below in order of preference:

- Earned Value - Boston Scientific pays for specific deliverables that meet our quality requirements and are delivered by the service provider on-time and in a specific format. The amount that Boston Scientific will pay for each deliverable is determined at the start of the project. It is the consultant's responsibility to use sufficient resources to create the deliverables in the time allotted.
- Milestone Billing – Boston Scientific pay a set amount when a particular milestone is met. If the milestone is not met on time, or if the deliverables are not of sufficient quality, Boston Scientific will withhold payment until such time as the all the elements of the milestone are met and accepted by Boston Scientific. If the milestones are very long term, or there are a significant number of consultants, Boston Scientific can make interim payments in anticipation of the milestone being met as long as there is a **holdback** of fees (see below).
- Fixed Fee - Boston Scientific pays the Consultant a set fee as compensation for the Services described in the Statement of Work. The fixed fees can be determined for each phase of a project or for a project as a whole. If a fixed fee is set for each project phase it is considered a Fixed Fee Based on Milestones.
- Time and Materials Not to Exceed – The Consultant will bill for their time based on an hourly rate up to a set amount. If the deliverables have not been completed, or the project has not met its stated objectives, the consultant will finish the job at their own expense.
- Time and Materials – This method of billing should only be used on projects of extremely limited scope. One example is in a project initiation phase the consultant could bill on a T&M basis until a Fixed Fee project can be scoped and agreed-to. It is unacceptable to use this method for long-term projects.
- Holdback - It is best practice to implement a **holdback** when using either a Fixed Fee or Milestone payment project management method. A hold back, ranging from 10% to 25% of the invoiced amount is held back from payment until a milestone is reached or a set of deliverables are complete. The holdback amount and trigger for payment will be detailed in the SoW.

5. Staffing and Billing Rates

- Personnel - Service Providers are at liberty to staff projects with the consultants who are best prepared to produce the deliverables in the time frame required. Boston Scientific project managers retain the right to interview individual consultants. In certain instances, FDA regulations require that resumes and other professional certifications be submitted to Boston Scientific and kept on file.
- Subcontractors - Service providers are selected for both price and the expertise they provide. However, service providers may employ subcontractors to fulfill the requirements of the project. The service provider assumes all the risk and responsibility for the subcontractor. However, the BSC project manager has the right to review and approve any subcontractor that may perform services under the contract.
- Key Personnel - The MSA also defines the conditions under which certain consultants can be identified as "Key People". These individuals are identified at the start of the project and cannot be removed from the project by the service provider without the prior approval of Boston Scientific.
- Billing Rates - Boston Scientific pays market rates depending on the job being staffed. BSC does NOT pay rates based on the individual being staffed. If service provider proposes a consultant who is overqualified for the position being filled, BSC will not over-pay for the consultant. Therefore, it is the responsibility of the service provider to match the requirements of the job and the qualifications of the consultant as closely as possible.

In some cases, Boston Scientific Global Sourcing has established rate scales for consulting jobs. These scales are based on current billing rates and normalized for job title and geography. Where these scales exist, service providers will be expected to set billing rates in accordance with the scales.

If the service provider is using subcontractors to fill project requirements, Boston Scientific may ask to see the contractor's billing rate and the % mark-up to determine the value of the individual.

- Rolling Off – If a service provider requests that a consultant roll-off a project, it is expected that notice be given at least 2 weeks in advance. In addition, the Boston Scientific project manager may request that the incumbent stay on the project until a suitable replacement is found and cross-trained. During this cross-training period, Boston Scientific will NOT pay for the replacement consultant.

If a consultant's departure from a project negatively impacts the project schedule, the service provider will provide Boston Scientific with some type of compensation.

6. Fees

- Up-Front Fees - **Boston Scientific does not pay up-front fees**. In very rare cases where the service provider has extraordinary up-front costs and is a small business, we may agree to accelerate payment for a portion of the fees.
- Payment Terms – **Our standard payment terms for professional services is net 60 days** from receipt of invoice. Alternately, we will agree to accelerated payment terms of 15 days in exchange for a 2% discount off the invoice price (referred to as 2%15 net 60). Boston Scientific never agrees to late payment penalty clauses in professional services contracts.
- Travel Expenses – Travel expenses must always be billed separately from fees. At the request of the Project Manager, the service provider will submit travel expense details. **Boston Scientific never pays a mark-up or administrative fee for travel expenses**.

7. Deliverables

As stated above, Boston Scientific pays for deliverables, not effort. All project deliverables will be fully documented using either industry best practices, a Boston Scientific – specific format, or a format agreed to prior to the start of the project including electronic and “hard copies”.

Boston Scientific retains exclusive ownership of all deliverables produced during the engagement.

Deliverable format and content must be agreed to at the start of the project. Boston Scientific reserves the right to refuse deliverables if they do not meet the pre-determined criteria (see Holdback section above).

8. Expenses

In many engagements, expenses represent a significant percent of the project budget. Therefore, it is every consultant's responsibility to use the utmost discretion when traveling on project business.

Boston Scientific will reimburse services providers for all reasonable expenses incurred in the delivery of services. Generally, expense reimbursement guidelines will be established by the project managers before the project has begun, and documented clearly in the SoW. In most cases, expenses will be capped at 10% to 15% of billable amounts depending amount of fees billed.

Service providers must abide by the Boston Scientific travel policy, a copy of which is available from the BSC project manager.

For long-term projects requiring travel, consultants should use the BSC travel office to make reservations. Project managers should refer to the BSC Travel web site for additional information on booking travel using the travel office.

Service providers may pass through actual expenses (or Per Diem if appropriate) and are not allowed to “mark up” expenses or apply any administrative fees.

- a. Fly homes – Consultants generally may travel home every week. For long-term projects it is acceptable to pay for two trips home per month. This will be determined by site project management.
- b. Air fare –All flights will be coach tickets. Wherever possible, consultants should book 2 weeks in advance. Also, for long-term projects booking round trip tickets that include a Saturday night can be used to further reduce costs.
- c. Per Diem – Whenever possible, the project team should establish a per diem for lodging, food, incidentals, tips, etc. Food includes breakfast and dinner only (IRS rule). It is customary to include a small additional amount if the consultant stays on-site over a weekend. Each plant should establish its own per diem that is used for all consultants that does not exceed the rates published by the US GAO.
- d. Car Rental –Cars will be shared between by at least two consultants. Long-term rentals are less expensive than weekly rentals. Although consultants cannot always leverage the BSC negotiated rates, they should not spend more than our rates for the location. Renting cars away from airports is also a good way to save money.
- e. Personal cars – consultants may submit expenses for use of their personal car in lieu of a rental car based on actual miles driven at the current IRS rate.

- f. Copying - Boston Scientific has negotiated rates for B&W and color copying with IKON. Therefore, copying and binding of project deliverables should be done using this supplier at the Boston Scientific location.
- g. Documentation – Each consultant MUST provide detailed travel documentation to the project manager. In no case will consultants bake expenses into their hourly rates!
- h. Travel Time - **Boston Scientific does not pay for travel time.** Although it may occasionally be considered traditional to charge clients for non-productive time spent traveling, Boston Scientific only pays for deliverables and services. It is the consultants' responsibility to travel to the Boston Scientific location if required by the project. This may require that consultants travel on Sunday evenings to be on site Monday. Travel home will be after normal working hours. Rare exceptions can be made in the event of extended overseas travel or travel to several Boston Scientific locations in one week.
- i. Overhead and Administrative Costs - Boston Scientific considers supplier costs such as rent, office supplies, faxing, printing, e-mail, telephone calls, and invoice preparation to be part of the normal overhead and hourly rate. We will not pay separately for such charges.

When submitting a bill, the service provider will provide sufficient details to enable an audit of the bill by Boston Scientific project management. Receipts for actual charges will be stapled to the invoice. Travel expenses will always be listed separately from resource billing. Discounts off "book rates" will be clearly spelled out on the bill.

9. Summary and the Role of Procurement

According to industry literature, the purchase of professional services is in many ways more challenging than the purchasing of direct materials. This is due to the difficulty in defining the services, deliverables, expectations, and the personalities of the buyers and sellers.

This Partnership Guide will serve as a basis for successfully providing services to Boston Scientific. Professional service providers who embrace the concepts contained in this guide will most likely establish long-term relationships with Boston Scientific. Service providers who continue to impose their traditions, who do not continually implement cost-savings processes, who bill for time rather than value, and who fail to recognize the importance of building a close relationship with Boston Scientific, will not be considered for additional engagements.

Boston Scientific Global Sourcing Managers and Procurement staff are prepared to assist in the negotiation of agreements, SoW's or other documentation that ensure that both companies benefit from the relationship.

Copies of Boston Scientific's standard Master Services Agreement, and Statement of Work documents are available from Global Sourcing or Site Procurement departments.