



**Training Proposal for:
Cardinal Health, Inc.
Agreement Number: ET15-0107**

Panel Meeting of: June 27, 2014

ETP Regional Office: North Hollywood

Analyst: L. Vuong

PROJECT PROFILE

Contract Attributes:	Retrainee Priority Rate	Industry Sector(s):	Manufacturing Services Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Los Angeles, Sacramento, San Bernardino, Solano	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 1,518	U.S.: 24,200	Worldwide: 33,600
<u>Turnover Rate:</u>	13%		
<u>Managers/Supervisors:</u> (% of total trainees)	10%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$770,616		\$0	\$0		\$770,616

In-Kind Contribution:	100% of Total ETP Funding Required	\$1,030,056
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TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee Priority Rate	Business Skills, Computer Skills, Continuous Impr., Mngmnt Skills, Mfg. Skills, PL - Mfg. Skills	973	8-200	0-100	\$792	\$14.90
				Weighted Avg: 44			

Minimum Wage by County: \$14.90 per hour for San Bernardino and Solano counties; \$15.59 per hour for Sacramento County; and \$16.04 per hour for Los Angeles County.

Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: Yes No Maybe

Up to \$3.00 per hour may be used to meet the Post-Retention Wage.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Warehouse/Distribution Staff		665
Manager		97
Sales Staff		211

INTRODUCTION

Found in 1971, Cardinal Health, Inc. (Cardinal Health) (www.cardinal.com) manufactures and distributes a wide variety of products and services for the healthcare industry. Headquartered in Ohio, Cardinal Health has six locations in California, along with locations in 43 states and four continents worldwide. This proposal targets six Cardinal Health facilities in California across four counties and includes Cardinal Health's distribution, manufacturing and pharmaceutical divisions along with subsidiaries RGH Enterprises, Inc. and AssuraMed. Cardinal Health is the parent company to all the subsidiaries included in this proposal located in the following California cities: Ontario (two locations), Rancho Cucamonga, Dixon, El Grove and Valencia.

The Company's business is divided into two segments: Pharmaceutical and Medical. The Pharmaceutical segment distributes branded and generic pharmaceutical products, over-the-counter healthcare products, consumer products and also offers a full compliment of supply chain services to its customers. The Medical segment manufactures its own line of surgical and medical products; and also distributes and assembles its products to third party distributors, hospitals, healthcare facilities and laboratories.

In addition, the Company provides medical products to patients at home via AssuraMed. In 2013, Cardinal Health acquired AssuraMed, a mail order, direct-to-customer provider of disposable medical products. AssuraMed operates through two segments; Edgepark Medical Supplies and Independence Medical. Edgepark contracts directly with managed care

organizations to provide direct-to-patient home delivery. Independence Medical serves as an outsourced supply chain for commercial customers, including durable equipment suppliers, independent pharmacies and wholesale distributors.

Due to changing healthcare requirements, customer demands and its new businesses, Cardinal Health has developed a company-wide program to modernize business systems and procedures; plans to hire approximately 200 additional new employees in California in the next two years; and is moving its distribution center to a larger 121,400 square feet facility in late 2014.

PROJECT DETAILS

This is Cardinal Health's second ETP Agreement. The first agreement focused on sales, manufacturing and distribution of supplies of Pyxis and Alaris which are no longer a part of Cardinal Health. In this proposal, the Company will train 973 employees at its six facilities throughout California.

To improve business functions, the Company will convert to a Lean operation to redesign the production/distributions area. Employees will be cross-trained to increase productivity. Workers in all departments must learn to work in teams, redesign processes and workflow, become more efficient, and reduce costs.

Training Plan

The proposed training will assist the Company to upgrade worker skills and become proactive with technological advances to stay competitive and improve efficiencies throughout the facilities. Classroom/laboratory, videoconference, Productive Laboratory (PL) and Computer-Based Training (CBT) will be provided as follows:

Business Skills (13%): Training will be offered to all occupations in communication, sales & marketing, and presentation skills. Training will provide workers the necessary skills to increase knowledge and perform their jobs more effectively.

Computer Skills (2%): Training will be offered to all occupations in the skills necessary to support distribution. This includes software training in Management and Manufacturing Control Systems, including system implementation and software upgrades to assist with warehouse management and shipping. Other Enterprise Resource Planning programs will be upgraded.

Continuous Improvement (50%): The training will be offered to all occupations consisting of Lean Manufacturing principles and skills (Kaizen events, A3, 5S, and belt trainings), and quality fundamentals including environment health and safety training. Training will help create a team environment to assist in transporting supplies efficiently.

Management Skills (10%): Training will be offered to Managers in the area of team development, communication, and leadership. Training will encourage meaningful interactions with employees and emphasize working as a high performing team.

Manufacturing Skills (25%): Training will be offered to all occupations. Trainees will gain the skills and knowledge to operate and maintain production equipment, ensure product quality, and implement best practices in product manufacturing and warehouse/distribution floor operations.

Productive Laboratory

Productive Laboratory (PL) trainees may produce goods for profit as part of the training, in the courses identified under the Curriculum. The instructor is a subject matter expert and must be dedicated to training delivery during all hours of training.

Cardinal Health has determined that PL training is the most effective way for employees to fully comprehend the highly detailed and precise distribution production processes and complex manufacturing equipment. Training will occur under the direct supervision of the trainer in a one-on-one setting with instructional education followed by hands-on demonstration and practical skills implementation. Employees make less errors and work more efficiently by learning through observation and hands-on experience.

Training will include the use of manufacturing equipment, troubleshooting, inspecting products according to standards and operating powered industrial trucks. Functions such as proper assembly, handling pallet jacks, operating conveyer belts and power trucks is best in a live setting. Equipment training will include powered industrial trucks, pallet jacks, computers, conveyer belts, radio, scanners, knives, MHE/PIT equipment, Warf units and carts. Depending on the skill level of the trainee, trainee may take up to two hours on designated tasks. The trainer will be present at all times to oversee training until each trainee is competent to perform new task. The trainer will assess the trainee's competency based on company standards. Followed PL training, trainee's performance will be observed, reviewed and checked to determine if the trainee obtained the required skills to work independently.

Cardinal Health stated that approximately 109 Warehouse/Distribution Staff and Managers will participate in PL training. PL hours are capped at 40 hours. The trainer-to-trainee ratio will primarily be 1:1, but no more than 1:3.

Substantial Contribution

Cardinal Health is a repeat contractor with payment earned in excess of \$250,000 within the past five years. (See Prior Project Table). However, facility included in the proposal has not earned more than \$250,000; therefore, a substantial contribution does not apply.

Commitment to Training

Cardinal Health reported that it does not maintain a formal training budget for its subsidiaries in California. Historically each facility has operated independently in job skills training, therefore, each facility makes its own decisions about the training needs of that particular location. Currently, training may consist of the following courses: informal on-the-job training; new hire orientation, sexual harassment prevention, OSHA-mandated safety training, basic and intermediate Microsoft Office training, and diversity training.

ETP funding will allow Cardinal Health to provide more training so that employees can become more efficient and learn new skills more quickly. ETP funding will also enable Cardinal Health to provide Lean practices to promote greater efficiencies. This will enable the Company to maintain their market share in the highly competitive healthcare supply market. After the completion of the ETP program, each Cardinal Health facility plans to build on the efficiencies and skills delivered within the program with additional training.

Cardinal Health represents that ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS PERFORMANCE

The following table summarizes performance by Cardinal Health under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET08-0376	Statewide (10 facilities)	03/03/08 – 03/02/10	\$3,204,000	\$770,816 (24%)

Although Cardinal Health only achieved 24% of its expected earning, 828 trainees completed training and retention for a total of 35,876.5 eligible hours.

According to the Company, it was unable to utilize 100% of ETP funding for several reasons. A key division that participated in training was sold and as a result fewer trainees than anticipated completed training and retention. Also, the Company did not have designated staff to oversee ETP training to ensure training hours were recorded correctly and a large percentage of Sales Staff training hours were not properly documented and therefore not included.

The Company has since taken corrective actions, which include a more modest program. Cardinal Health has designated individuals at each facility who will be responsible for all administrative responsibilities, including recording and tracking training completed at their locations. The Company also designated one regional staff to coordinate between all facilities. Cardinal Health will utilize a third party vendor with ETP experience to aid in this endeavor.

DEVELOPMENT SERVICES

KPMG in Woodland Hills assisted with development for an amount not to exceed 10% of the contract approved amount. The Company represents that ETP funds will not be used to pay for any portion of these fees.

ADMINISTRATIVE SERVICES

KPMG will also perform administrative services in connection with this proposal for the amount not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum**Class/Lab Hours**

8 - 200

Trainees may receive any of the following:

BUSINESS SKILLS

- Presentation Skills
- Communication Skills
- Sales & Marketing
 - Situational Sales Negotiation Training
 - Maximizing Interactions
 - Advanced Sales Techniques
 - New Product Training
 - Healthcare Finance
 - Business Writing

COMPUTER SKILLS

- Management and Manufacturing Control Systems
 - Warehouse Management
 - Inventory Controls
- Advanced Outlook Skills
- Salesforce.com
- Enterprise Resource Planning (ERP)

CONTINUOUS IMPROVEMENT

- Problem Solving Tools and Techniques
 - A3 Training
- Process Improvement Training
 - Lean Six Sigma (LSS)
 - White Belt Training/Certification
 - Yellow Belt Training/Certification
 - Advanced Belt Training
 - Kaizen Training
- Quality Fundamentals/Core Skills
 - Healthcare Supply Best Practices
 - Environment Health & Safety (EHS) Facility Safety
 - Action on Site
 - Quality Regulatory Affairs/Assurance
 - Dock Safety

MANAGEMENT SKILLS (For Managers Only)

- Leadership/Coaching Skills
- Change Management
- Teambuilding
- HSS Operations Supervisor Development Program

MANUFACTURING SKILLS

- Equipment Operations
- Hazard
- Inventory Management
- Inspection Techniques
- Manufacturing/Distribution Processes & Procedures
- Production Equipment/Tools (Preventative Maintenance)
- Standard Operating Procedures
- Troubleshooting

Safety Training cannot exceed 10% of total training hours per-trainee

Productive Lab Hours

0-40

MANUFACTURING SKILLS

- Equipment Operations
- Hazard
- Inventory Management
- Inspection Techniques
- Manufacturing/Distribution Processes & Procedures
- Production Equipment/Tools (Preventative Maintenance)
- Shop Floor Control
- Standard Operating Procedures
- Tooling
- Troubleshooting

CBT Hours

0-100

BUSINESS SKILLS

- A Day in the Life of a Medical Distribution Center (30 min)
- A Day in the life of a Pharmaceutical Distribution Center (30 min)
- Access Certification & IdentityIQ (20 min)
- Achieving Your Leadership Potential (120 min)
- Adapting to Change (90 min)
- Advanced Export From Excel (30 min)
- Reporting and Analysis (30 min)
- Requirements Coverage (30 min)
- Working with Requirements and Analyzing Risk (30 min)
- Bloodborne Pathogens -- General Industry (60 min)
- Building Trust (90 min)
- Business Acumen Basics 100 – How We Operate and How We Make Money: Lesson One - Introduction and Our Role (15 min)
- Business Acumen Basics 100 – How We Operate and How We Make Money: Lesson Three - Pharmaceutical Segment (20 min)
- Business Acumen Basics 100 – How We Operate and How We Make Money: Lesson Two - Our Company Structure & Medical Segment (30 min)
- Business Acumen Basics 100 – How We Operate and How We Make Money: Lesson Four - How Cardinal Health Makes Money & Wrap-Up (30 min)

- Communicating and Listening (120 min)
- Communicating with Impact (120 min)
- Contributing to Meeting Success (90 min)
- Delegating for Results (120 min)
- Developing Others (120 min)
- Drug-Free Workplace for Managers (20 min)
- Electrical Safety (60 min)
- ENT-myLearning Tour (30 min)
- Essentials of Leadership (120 min)
- Feedback Fundamentals (120 min)
- Finance for Non-Financial Professionals 100 - Introduction and Course Overview (20 min)
- Finance for Non-Financial Professionals 100 - Module 1: Finance Basic (20 min)
- Finance for Non-Financial Professionals 100 - Module 2: Finance at Cardinal Health and Your Role (20 min)
- Forklift Safety (60 min)
- Getting Started as a New Leader (120)
- Global Trade Awareness (English) (45)
- Global Trade Awareness (Spanish) (45)
- Health Insurance Portability and Accountability Act course (HIPAA) (20 min)
- HIPAA Requirements (30 min)
- HSS Supervisor Development Online Modules (120 min)
- Interactions with Customers and Healthcare Professionals (25 min)
- Internal Controls Training (45 min)
- Ladder Safety (60 min)
- Leading Change (120 min)
- Leading Virtually (120 min)
- Making Meetings Work (120 min)
- Managing Performance Problems (120 min)
- Open Source Software at Cardinal Health (30 min)
- Operating Room Conduct (60 min)
- Know Your Customer Survey Essentials (30 min)
- DOT Level 1 Training (45 min)
- Packing Refrigerated Product Totes Pretest (45 min)
- Anti-Diversion Training (35 min)
- Controlled Substances Training (Part 1) (40 min)
- Controlled Substances Training (Part 2) (30 min)
- Documentation Guidelines (30 min)
- Drug Enforcement Agency Compliance Training (45 min)
- Hazmat Packing Training (Part 2) (45 min)
- Hazmat Packing Training (Part 1) (30 min)
- Packaging Refrigerated Totes (40 min)
- Prescription Drug Marketing Act Training (30 min)
- Suspicious Order Monitoring (30 min)
- BarCode360™ Safety Optimizer – On-Site Qualification (40 min)
- Leveraging Specialty Pharmaceutical Distribution (40 min)
- Preceptorship Introduction to Drug Pedigree (45 min)
- Preceptorship Pharmacy Purchasing Process (45 min)
- Preceptorship Receiving And Storing Pharmacy Products (45 min)

- PM Module 1: Performance Management Process - End to End Overview (30 min)
- PM Module 2: Development 1-2-3 (Part 2) (30 min)
- PM Module 2: Goal Setting (Part 1) (30 min)
- PM Module 3: Giving and Receiving Feedback Part One (30 min)
- PM Module 3: Giving and Receiving Feedback Part Two (30 min)
- PM Module 5: The Performance Review Meeting Part One (30 min)
- PM Module 5: The Performance Review Meeting Part Two (30 min)
- Practical Project Estimating at Cardinal Health: Paving the Way for Project Estimating Success (30 min)
- Presentation Skills with the Use of PowerPoint (120 min)
- Reaching Group Agreement (90 min)
- Resolving Conflict (120 min)
- Retaining Talent (120 min)
- Reviewing Performance Progress (90 min)
- SAP Overview and Navigation (30 min)
- Sarbanes-Oxley: Certifications and Section 404 Controls (45 min)
- Security Awareness (20 min)
- Selecting Talent (45 min)
- Standards of Business Conduct (30 min)
- StrengthsFinder - Maximizing Your Employees' Talents (20 min)
- StrengthsFinder - Maximizing Your Talents (30 min)
- Taking Charge of Your Development (90 min)
- Taking the HEAT (120 min)
- Tool Safety (60 min)
- Tuberculosis: Exposure Prevention and Control (60 min)
- Valuing Differences (90 min)
- White Belt (240 min)
- Working as a Team (90 min)
- Working Through Conflict (90 min)
- Yellow Belt (640 min)

Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery. CBT is capped at 50% of total training hours, per trainee.