



PRESERVING ACCESS TO GPOS

Health care providers rely on group purchasing organizations (GPOs) to reduce their costs and increase efficiencies by leveraging their aggregate purchasing power to negotiate discounts with manufacturers, distributors, and suppliers for products and commodities. While GPOs have come under Congressional scrutiny in the past, their critical value in terms of the savings they provide to hospitals and their post-acute providers has repeatedly been affirmed by researchers and by the Government Accountability Office.

Hospitals, rehabilitation facilities, nursing homes, physician practices, home health agencies, and other types of providers join a GPO to access the most competitive prices for a full range of products, including pharmaceutical and medical devices, as well as commodities like food and office supplies. Providers determine what supplies they need, and then GPOs negotiate contracts with manufacturers and suppliers to obtain best pricing on those supplies. While GPOs negotiate contracts, doctors decide what drugs and devices they will use, and they work with health care providers to determine the supplies that should be purchased.

GPO participation is entirely voluntary for both providers and manufacturers. Providers may purchase through GPO contracts or choose to buy directly themselves from a manufacturer, and often access contracts through multiple GPOs. GPOs are funded by administrative fees paid by manufacturers as a percentage of purchases. The administrative fees are explicitly allowed and protected by Federal statutes and regulations that create “safe harbors” from laws and regulations that would otherwise appear to prohibit them. These safe harbors are important, because without them, hospitals would incur much greater costs than under the current system.

Because GPOs leverage the combined purchasing power of many providers, they are able to spur competition and secure lower prices than can otherwise be obtained by providers negotiating on their own. In general, GPOs save providers up to 20% (savings for medical devices average between 10–18%), which is why 95% percent of hospitals nationwide choose to work with them. According to researchers, GPOs save the U.S. health care industry up to \$36 billion in annual price discounts and over \$2 billion annually in human resource costs.

Hospitals and other providers can also lower their overall costs by streamlining and standardizing their purchasing processes by using GPO services. GPOs help to reduce providers’ non-clinical staffing needs because providers do not need to negotiate with multiple manufacturers and suppliers. In today’s health care landscape, few hospitals have the staff or expertise to negotiate the large number of contracts necessary to supply their institutions. GPOs also help providers monitor and track supply spending as part of total expenditures and identify opportunities to reduce overall expenses.

GNYHA POSITION

Protect the GPO safe harbor, which enables hospitals to leverage their buying power and secure significant discounts.