

HEALTHCARE GROUP PURCHASING ORGANIZATIONS (GPOs): DECREASING HEALTHCARE COSTS, INCREASING COMPETITION, AND SAVING BILLIONS FOR HOSPITALS, MEDICARE AND TAXPAYERS

At a time when Congress is searching for ways to rein in healthcare costs, Group Purchasing Organizations (GPOs) are already bending the healthcare cost curve, increasing competition, and reducing healthcare costs for American hospitals, Medicare and Medicaid, and taxpayers. GPOs use high volume purchasing power to secure discounts for hospitals, introduce new and innovative devices to the market, and save the healthcare system up to \$36 billion annually – which lowers healthcare costs for all consumers.

GPOs BEND THE HEALTHCARE COST CURVE AND SAVE HOSPITALS, MEDICARE AND MEDICAID, AND TAXPAYERS BILLIONS

- GPOs bend the healthcare cost curve by using high volume purchasing power to secure significant price discounts for hospitals. Without these price discounts, smaller and rural hospitals would not be able to afford many state-of-the-art medical devices, and many Americans would not have access to the highest quality of care.
- GPOs are the most transparent industry in the healthcare sector, aggressively working to promote openness, accountability, and the highest ethical standards in business practices. GPOs disclose all administrative fees in writing to GPO members at least annually and make the same information available at the request of the Secretary of Health and Human Services. The Health Group Purchasing Industry Initiative (“HGPII”) also posts on a public website the industry-specific business practices that have been attested to by individual GPO executives. (See, www.healthcaregpoii.com).
- GPOs aggressively compete with other GPOs to further lower costs; there are no significant barriers to entry into the GPO market; GPOs introduce new and innovative devices to market; seek to promote historically underutilized and minority-owned small business; and effectively use competitive bidding to determine the highest quality device for the best value.

ALL INDEPENDENT EMPIRICAL AND ACADEMIC ANALYSES OF THE GROUP PURCHASING INDUSTRY CONFIRM SIGNIFICANT COST SAVINGS FOR AMERICAN HOSPITALS AND THE HEALTHCARE SYSTEM

- GPOs save the U.S. healthcare industry up to \$36 billion in annual price discounts and over \$2 billion annually in human resource costs annually in human resource costs. ([Goldenberg/King, Cost Savings and a Marketplace Analysis of the Health Care Group Purchasing Industry, 2009](#)) GPOs save each hospital an average of 10-18 percent compared to direct purchases from medical device companies. ([Eugene Schneller, The Value of Group Purchasing, 2009](#))
- GPOs reduce prices and costs, increase hospital revenues, and behave in accordance with ethics laws, according to a 2008 study by Wharton Professor Lawton Burns, funded by the National Science Foundation. ([Group Purchasing Organizations \(GPOs\): Issues and Evidence, Lawton R. Burns and Andrew Lee, Healthcare Management Review, 2008](#))
- American hospitals share near universal satisfaction with their GPOs and hospitals give GPOs particularly high marks for pricing and cost savings, according to a 2010 survey of hospital materials managers. ([Does Your GPO Deliver the Goods?, 2010 survey by Hospitals & Health Networks Magazine and the Association for Healthcare Resource & Materials Management.](#))
- GPOs decrease overall purchasing costs for American hospitals and other providers, particularly for small providers, and GPO contract administrative fees have no impact on overall provider purchasing costs. ([The Impact of Group Purchasing Organizations on Healthcare-Product Supply Chains, Schwarz, Hu and Uhan, Purdue University Krannert School of Management, 2011](#))

GPOs THOROUGHLY EXAMINED BY GAO, DOJ, FTC, U.S. SUPREME COURT, 8TH CIRCUIT COURT OF APPEALS, AND VIRTUALLY ALL AMERICAN HOSPITALS

- The U.S. 8th Circuit Court of Appeals in 2010 found that hospitals pay 16 percent less by buying under GPO contracts; GPO membership is voluntary for hospitals; hospitals can (and do) switch GPOs; and, 96-98 percent of the 5,000+ American hospitals voluntarily belong to one or more GPO. ([Southeast Missouri Hospital v. Bard Inc.](#))
- The U.S. Government Accountability Office (GAO) in 2010 examined the steps taken by GPOs to ensure transparency, fair contracting and discount product pricing, and concluded that 98 percent of American hospital voluntarily contract with GPOs; the average administrative fee paid was 1.22-2.25%; all GPOs offered a broad range of services to hospitals; and, all GPOs interviewed had programs to evaluate and quickly bring to market those innovative technologies that could provide a meaningful benefit to patients. ([GPOs: Services Provided to Customers and Initiatives Regarding Their Business Practices, August 2010](#))
- According to the U.S. Supreme Court, GPOs seem designed to “increase economic efficiency and render markets more, rather than less competitive,” and “the cost savings...enable small retailers to reduce prices and maintain their retail stock so as to compete more effectively with large retailers.” ([Northwest Wholesale Stationers, Inc v. Pacific Stationery and Printing Co.](#))