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HSCA STATEMENT ON GAO REPORT ON LACK OF PRICING TRANSPARENCY IN THE MEDICAL DEVICE MARKETPLACE

New Report Confirms that Device Pricing Secrecy May Drive Up Costs for Hospitals, Medicare

Washington, DC (February 3, 2012) – Healthcare Supply Chain Association (HSCA) President Curtis Rooney today released the following statement on the GAO report, *Lack of Price Transparency May Hamper Hospitals' Ability to Be Prudent Purchasers of Implantable Medical Devices*, which found that pricing secrecy in the medical device marketplace may drive up healthcare costs for hospitals and Medicare:

“The GAO report confirms what GPOs, hospitals, long-term care providers, and anyone on the front lines of patient care and healthcare cost containment see every day: Medical device pricing secrecy decreases competition, limits the ability of hospitals and their GPO partners to effectively negotiate for medical products and services, and artificially drives up healthcare costs, leaving hospitals, Medicare and American taxpayers to foot the bill. We commend Senator Baucus for asking the GAO for this important report and agree that it raises ‘serious concerns over the prices hospitals and Medicare are forced to pay for implantable medical devices.’

“Medical device contractual confidentiality agreements, so-called ‘gag clauses,’ prevent hospitals from sharing nonproprietary data and validating that they are receiving a fair price on the products they buy. Without GPO benchmarking, hospitals are often in the dark while negotiating with device manufactures, and manufacturers are able to charge whatever local markets will bear. The report states that the contracts between manufacturers and hospitals often forbid disclosure of prices, even to doctors. The problem is even more extreme in small and rural markets, where community hospitals often lack bargaining power in negotiations with Goliath device corporations.

“As a result, some hospitals unnecessarily pay thousands of dollars more than others for high-cost medical devices such as defibrillators, stents and hip replacements. The \$200 billion medical device industry is able to leverage its army of salespeople to drive unnecessary utilization and further enforce contractual ‘gag clauses’ to keep prices a secret, which gives device makers a virtually unchecked ability to drive up costs for hospitals and Medicare. Because hospitals are unable to discuss price with the physicians who typically choose which products to use, hospitals have become third party payers.

“Hospitals rely on GPOs to deliver the best products at the best value. The GAO report shows that medical device pricing secrecy is impeding the ability of hospitals and GPOs to achieve the best possible prices. At a time when all parties to the healthcare system are trying to rein in spending, Congress should take steps now to eliminate contractual gag clauses and increase price transparency in the medical device marketplace.”

For the full GAO report, *Lack of Price Transparency May Hamper Hospitals' Ability to Be Prudent Purchasers of Implantable Medical Devices*, please visit <http://www.gao.gov/assets/590/587688.pdf>

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About the Healthcare Supply Chain Association (HSCA)

The Healthcare Supply Chain Association, formerly the Health Industry Group Purchasing Association, is a broad-based trade association that represents 15 group purchasing organizations, including for-profit and not-for-profit corporations, purchasing groups, associations, multi-hospital systems and healthcare provider alliances. HSCA's mission is to advocate on behalf of healthcare group purchasing associations, to provide educational opportunities designed to improve efficiencies in the purchase, sale and utilization of all goods and services within the health industry and to promote meaningful dialogue between GPOs. For more information, visit www.supplychainassociation.org.