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**NEW INDEPENDENT ACADEMIC ANALYSIS FINDS GROUP PURCHASING ORGANIZATIONS DECREASE COSTS FOR HOSPITALS AND OTHER HEALTHCARE PROVIDERS, PARTICULARLY SMALL PROVIDERS**

*Game-Theory Study Finds GPOs Lower Overall Hospital Purchasing Costs for Medical Goods and Services; Contract Administrative Fees Have No Impact on Hospital Costs*

**Washington, D.C. (May 31, 2011)** – The Health Industry Group Purchasing Association (HIGPA) today applauded a new independent academic study of the group purchasing industry which found that group purchasing organizations (GPOs) decrease overall purchasing costs for American hospitals and other providers – particularly for small providers – and that GPO contract administrative fees have no impact on overall provider purchasing costs. The study, *“The Impact of Group Purchasing Organizations on Healthcare-Product Supply Chains,”* which was conducted independent of industry by Purdue University Professors Leroy Schwarz and Joice Hu, used game theory to analyze the impact of GPOs on the healthcare supply chain.

“The Purdue University study is an excellent analysis of the cost-savings benefits that GPOs bring to the healthcare system and further validates what GPOs and virtually all of America’s 5,000+ hospitals already know – GPOs deliver the best products at the best value for American hospitals,” said HIGPA President Curtis Rooney. “As the White House and Congress continue to focus on deficit reduction, and as hospitals continue to operate in the current budgetary climate, GPOs will be an even more critical piece of the cost containment solution for hospitals, Medicare and Medicaid, and taxpayers.”

Key conclusions of the study and of its lead author, Professor Leroy Schwarz, include:

- **GPOs decrease overall purchasing costs for hospitals** and providers, particularly for small providers;
- **If GPOs were removed** from the healthcare marketplace, **hospitals would pay higher total purchasing costs**;
- GPO **contract administrative fees have no effect on the total purchasing costs** of any provider, large or small;
- Competition among GPOs in the same market for hospital business likely **lowers per-unit prices for hospitals**;
- Many large hospitals are part-owner of their GPO and **experience lower per-unit and total purchasing costs as a result**.

“All independent, academic, and non-industry funded studies of GPOs have found that GPOs save hospitals money. Hospitals and their purchasing executives are smart shoppers in an extremely competitive marketplace and they continue to turn to GPOs as true cost-savings partners,” added Rooney. “The Purdue study is a significant addition to the growing canon of group purchasing industry examinations, a group that now includes votes of confidence from the Government Accountability Office (GAO), Department of Justice (DOJ), Federal Trade Commission (FTC), and the U.S. Supreme Court.”

*The complete results of the Purdue GPO study can be downloaded [here](#). A summary document and Q&A with lead author Professor Leroy Schwarz can be found [here](#).*

*For additional evidence of GPO cost savings, see “[The Value of Group Purchasing](#),” a 2009 report by Professor Eugene Schneller, “[Hospital Purchasing Alliances: Utilization, Services, and Performance](#),” by Wharton Professor Lawton Burns and J. Andrew Lee, and the 2009 [Goldenberg-King analysis](#) of cost savings to the marketplace.*

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### **About HIGPA**

The Health Industry Group Purchasing Association (HIGPA) is a broad-based trade association that represents 16 group purchasing organizations, including for-profit and not-for-profit corporations, purchasing groups, associations, multi-hospital systems and healthcare provider alliances. HIGPA’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. [www.higpa.org](http://www.higpa.org).