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HEALTHCARE GROUP PURCHASING ORGANIZATIONS GENERATE UP TO \$55 BILLION IN ANNUAL COST SAVINGS FOR HOSPITALS, MEDICARE AND MEDICAID, ACCORDING TO NEW EMPIRICAL ANALYSIS OF U.S. HEALTH DATA

Analysis of CMS expenditure data finds that GPOs will save Medicare up to \$229.3 billion from 2013-2022; GPOs estimated to save Medicaid up to \$169.5 billion over same period

Washington, DC (July 9, 2014) – The Healthcare Supply Chain Association ([HSCA](#)) today announced a new economic analysis on the value of group purchasing organizations (GPOs) to the U.S. healthcare system which found that GPOs generate up to \$55 billion in annual savings for hospitals, Medicare and Medicaid, and taxpayers. The report specifically found that, from 2013 to 2022, GPOs are expected to generate savings of up to \$864 billion for the entire U.S. health system, \$229 billion in Medicare savings, and \$169 billion in Medicaid savings. Healthcare economists Dobson DaVanzo & Associates used updated National Health Expenditure (NHE) data published by the U.S. Centers for Medicare and Medicaid Services (CMS) to complete the empirical analysis, [A 2014 Update of Cost Savings and Marketplace Analysis of the Health Care Group Purchasing Industry](#).

“U.S. hospitals, nursing homes and other healthcare providers are under mounting pressure to contain healthcare spending and they consistently turn to GPOs to deliver the best medical products at the best value,” said HSCA President Curtis Rooney. “The new empirical analysis of CMS health expenditure data confirms what virtually all of America’s 5,000+ hospitals already know: GPOs are trusted supply chain partners that reduce costs to the healthcare system, Medicare and Medicaid, and taxpayers.”

Dobson DaVanzo analyzed the updated CMS data, Medicare Cost Report (MCR) data, and estimates of the GPO market and market penetration, and reached the following conclusions about the value of GPOs to the U.S. health system:

- GPOs are expected to reduce healthcare spending by up to **\$864.4 billion** over the next ten years (2013-2022);
- In 2012 alone, GPOs generated up to **\$55.2 billion in cost savings** to the healthcare system;
- GPOs are expected to **save the Medicare program up to \$229.3 billion** from 2013 to 2022;
- GPOs are expected to **save the Medicaid program up to 169.5 billion** from 2013 to 2022;
- Hospital spending for implantable medical devices (IMDs) remained relatively stable from 2010 to 2012 (increasing from 5.3 percent of overall hospital costs in 2010 to 5.7 percent in 2012), and increased IMD market penetration for GPOs would help **further reduce the rate of growth of hospital spending on IMDs**;

“Given ongoing fiscal pressures to reduce the rate of growth in healthcare spending, it is important to note the positive impact GPOs have had and will continue to have in bringing cost reduction and efficiency to the healthcare system,” said the report authors. “On balance, we believe [our cost-savings] estimate is low because GPOs have been bringing down the cost of supplies to hospitals for over 100 years. This means that there is some portion of the savings attributable to GPOs which is ‘buried’ in the baseline and incalculable.”

GPOs negotiate contracts for hospitals to purchase essential supplies while minimizing costs. GPOs do not purchase or take ownership of products, but instead negotiate competitive contract pricing. GPOs generate savings through economies of scale, increased negotiating power, expertise in providing high value supplies, and by reducing the administrative costs to providers for purchasing these products. In total, estimates suggest that GPO activity led to a reduction in supply-related purchasing costs to nursing homes and hospitals by 10 to 18 percent compared to the costs for providers who do not utilize GPOs.

For the full Dobson DaVanzo report on the value of GPOs to the U.S. health system, click [here](#).

For additional empirical analyses and academic research on the impact of GPOs, click [here](#).

For more information on HSCA or group purchasing organizations, visit www.supplychainassociation.org

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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 14 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. Follow HSCA on Twitter [@HSCA](#).