

WISCONSIN HOSPITAL ASSOCIATION, INC.

September 8, 2009



The Honorable Herb Kohl
Chairman, Special Committee on Aging
United States Senate
G-31 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Kohl:

I know Group Purchasing Organizations (GPOs) are an issue you have focused attention on over the past years. It is my understanding this issue is again under the microscope within the context of health care reform. I am writing today on behalf of the over 134 hospitals in Wisconsin, a variety of which utilize some form of GPO, to ask you to avoid undoing what has been a tool our hospitals have found beneficial.

Our hospitals rely on GPOs to help aggregate hospital purchasing power and use that leverage to negotiate discounts with manufacturers on our behalf. GPOs work for hospitals to contract for 'best value' in supplies and improve service quality by partnering with clinicians to evaluate products.

Recently, I saw an NPR report which helps show how GPOs can impact the cost of health care. The report tried to unravel the layers of health care costs by using the cost of stents as one example:

"As lawmakers look for ways to trim costs and extend insurance coverage to more people, one of their greatest challenges has been pulling apart the many layers of expense... Harvard economist Ken Rogoff says that some materials you see in hospitals, like bandages, have been around long enough to become ordinary and cheap. 'But the kind of fine scalpels used in heart surgery are really pretty new, and there are lots of different varieties,' he says. 'The market is still sorting itself out.' Because we'll pay for the new, better stent, manufacturers are constantly trying to make a new, better stent. Americans have been incredible innovators in medical technology. We benefit from that. The world benefits from that. We also pay for it. A lot."

It is this type of example that GPO's positively impact: evaluating these newer technologies, negotiating better costs as well as leveraging economies of scale. This allows hospitals to plow savings back into facilities, patients and their delivery of care. Recent studies demonstrate this type of GPO partnership delivers between \$36 and \$64 billion in annual savings to the nation's hospitals; these are savings that provide us with price protection and cost savings. (An aside, it is interesting that GPOs – a type of cooperative – are coming under fire during a time when Congress is looking at cooperatives as a viable alternative in reforming health care.)

On behalf of Wisconsin's hospitals, thank you for all you have done to promote health care reform that recognizes the *value proposition of high quality, cost-efficient care, as we have here in Wisconsin*. Please know we believe restrictive language affecting GPOs will take away a helpful model many hospitals currently employ and rely on. We would, instead, urge Congress to promote proven cost-cutting solutions as it addresses health care reform. Thank you.

Sincerely,

Stephen F. Brenton
President