

2017

**ANNUAL VALUE REPORT**



HSCA Members, Healthcare Providers, Policymakers, and Healthcare Supply Chain Stakeholders:

The Healthcare Supply Chain Association (HSCA) represents the nation's leading healthcare group purchasing organizations (GPOs), the sourcing and purchasing partners to virtually all of America's 7,700+ hospitals, as well as the vast majority of the 68,000+ long-term care facilities, surgery centers, clinics, and other healthcare providers. We help our healthcare provider partners create efficiencies and negotiate competitive prices on products and services, helping to lower costs for patients, hospitals, payers, Medicare and Medicaid, and taxpayers, while significantly improving supply chain effectiveness. GPOs deliver critical cost savings that allow healthcare providers to focus on their core mission: providing first-class patient care.

This is the first [HSCA Annual Report](#) on the value GPOs bring to the healthcare system, and it confirms what hospitals, healthcare providers, suppliers, and policymakers see every day: GPOs reduce healthcare costs; increase competition; drive transparency, visibility and predictability; propel healthcare process and system transformation; and, add value to suppliers.

GPOs are critical cost-savings engines for healthcare providers. HSCA member companies are projected to save the healthcare system \$392.2 billion to \$864.4 billion over a ten-year period from 2013-2022, and save their customers an average of between 10 and 15% across most expense categories.

Although cost-savings and delivering the best products at the best value remain central to the GPO core mission, hospitals are increasingly relying on GPOs for a broad range of services beyond cost-savings. GPOs are expanding their offerings to meet evolving hospital and provider needs, including data analysis and benchmarking, market research, innovative technology integration, infection control, electronic product tracing, and developing and facilitating communities of knowledge among healthcare providers and supply chain experts to share best practices. GPOs are on the front lines of many of the most significant challenges and trends facing hospitals and healthcare providers, including the shift to value-based purchasing, emergency preparedness and response to natural disasters, drug utilization, and energy management.

HSCA and its members are zealous policy advocates on behalf of their members and patients across the country. Our approach is anchored in a commitment to common-sense policy solutions that lower costs and increase competition and innovation in the healthcare marketplace. We are working with stakeholders to help combat ongoing prescription drug shortages, to mitigate price spikes for generic drugs, and to increase safe and affordable access to life-saving treatments through biosimilar drugs.

As we look ahead to 2017 and beyond, HSCA and its members remain committed to helping hospitals and healthcare providers deliver effective and affordable care to the patients they serve.

Sincerely,

A handwritten signature in black ink that reads "Todd Ebert". The signature is written in a cursive, flowing style.

Todd Ebert, R.Ph.  
President and CEO

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# EXECUTIVE SUMMARY

The Healthcare Supply Chain Association (HSCA) represents the nation's leading healthcare group purchasing organizations (GPOs), which are critical cost-savings partners to America's hospitals, nursing homes, nursing home pharmacies, clinics, assisted living facilities, infusion pharmacies, home healthcare providers, surgery centers, and other healthcare providers. GPO functions are increasingly multifaceted and are focused on reducing healthcare costs, increasing competition, driving transparency, creating visibility and better predictability, as well as propelling healthcare processes and system transformation. This is the first HSCA annual report on the value GPOs bring to the healthcare system.<sup>1</sup>

## ***GPOs reduce healthcare costs***

- GPOs deliver billions in savings annually to healthcare providers, Medicare and Medicaid, patients, and taxpayers by creating efficiencies and implementing best practices.
- GPOs are projected to save the healthcare system \$392.2 billion to \$864.4 billion over a ten-year period, from 2013 to 2022.

## ***GPOs increase competition***

- GPOs, and the healthcare organizations they serve, operate in a voluntary environment.
- Most hospitals, for example, work with two to four GPOs, while remaining free not to use GPO services at all.
- The flexibility to use/not use GPOs drives competition, innovation, and lower costs not only within the GPO sector but in the healthcare system at large.

## ***GPOs drive transparency, visibility and predictability***

- Given their role in negotiating contracts between providers and vendors, GPOs have a direct line of sight across an immense span of healthcare products and services, and their prices.
- GPOs provide not just efficiencies, but also predictability and context to purchasing and supply decisions.
- GPOs work with entities across the supply chain, including hospitals, nursing homes, clinics, home health agencies, as well as a myriad of medical supply and service vendors, bringing visibility into pricing and value information to their clients.

## ***GPOs propel healthcare process and system transformation***

- GPOs educate supply chain employees and teams within healthcare organizations on best practices to improve healthcare processes, especially related to purchasing.
- By developing and sharing best practices, GPOs expand the value of the supply chain and its customers.
- GPOs offer a new paradigm for reducing healthcare spending: CQO, or the intersection of Cost, Quality, and Outcomes. This approach will help bend the cost curve by helping healthcare entities consider:
  - Total costs (services, procedures, products, and supplies)
  - Impact on care quality
  - Total reimbursement outcomes when selecting products

## ***GPOs add value to suppliers***

- GPOs also provide tremendous value to suppliers as a part of the sales process.
- Not only do GPOs help develop and build supplier and customer relations and lower the cost of sales through greater efficiencies, but they also enhance supplier credibility by providing data and information, growth opportunities, education and collaboration, and national meetings.

The Healthcare Supply Chain Association (HSCA) represents the nation's leading healthcare group purchasing organizations (GPOs), which are critical cost-savings partners to America's hospitals, nursing homes, nursing home pharmacies, assisted living facilities, infusion pharmacies, clinics, home healthcare providers, surgery centers, and other healthcare providers. GPOs deliver billions in savings annually to healthcare providers, Medicare and Medicaid, patients, and taxpayers. HSCA and its member GPOs are committed to delivering the best products at the best value to healthcare providers, to increasing competition and innovation in the market, and to being supply chain leaders in transparency and accountability.

For more than a century, GPOs have enabled hospitals, nursing homes, and other healthcare providers to better serve their patients by lowering costs, identifying best practices, and improving supply chain efficiency.

Today's GPOs:

1. **Reduce Healthcare Costs.** By increasing supply chain efficiencies for its participating organizations, each GPO reduces the cost of products and services for hospitals and the entire continuum of care.
2. **Increase Competition.** GPOs support and embrace competitive markets and innovation. Competition and innovation make the market stronger, which benefits all stakeholders: patients, providers, taxpayers, and government programs.
3. **Support Transparency.** GPOs are the most transparent sector in healthcare particularly as it pertains to the transparency they bring to the contract process and product pricing. The Healthcare Group Purchasing Industry Initiative (HGPII) serves as the independent oversight organization for the industry.
4. **Improve Healthcare Processes.** GPOs increase supply chain efficiency and predictability. GPOs improve healthcare processes through:
  - Supply Chain Best Practices
  - Data Management and Usage
  - Best Care/Clinical Practices and Standardization
  - Focus on Patient Safety
  - Inventory Management
  - Other Unique Business Solutions
5. **Add Value to Suppliers.** GPOs also provide tremendous value to suppliers as a part of the sales process. Not only do GPOs help develop and build supplier and customer relations and lower the cost of sales through greater efficiencies, but they also enhance supplier credibility through:
  - Data management and use
  - Growth opportunities
  - Education about markets and the needs of providers
  - Education regarding new technologies
  - National meetings and easy customer access
  - Websites and useful information available to providers
  - Continuing education
  - Collaboration—to understand and meet customer needs

The graphic is a vertical list of four items, each preceded by a white circle connected to a blue line. The first item is a title, and the following three are descriptive text boxes.

- Case Study: Supply Chain Function
- A GPO helped a health system expanding its hospital and clinic network to optimize its supply chain function.
- A GPO offered innovative business intelligence tools alongside supply chain professional education.
- The GPO delivered **\$10 million** in new net savings annually.

# GPOs: IMPROVING HEALTHCARE PROCESSES AND GENERATING COST-SAVINGS

## Savings Provided

Given recent attention to the growth in healthcare spending, savings produced by GPOs are especially important. According to the Centers for Medicare & Medicaid Services Office of the Actuary “for the period 2015–25, [annual] growth in health spending is projected to average 5.8%.”<sup>2</sup> Growth varies by healthcare spending category, however, and this is where the value of GPOs becomes most apparent. For hospitals, spending growth decelerated from 1.3% in 2014 to just 0.9% in 2015, the slowest rate of price growth since 1998.<sup>3</sup> In the next few years, however, hospital price growth is likely to accelerate, say experts, not because of medical supply costs, but “because of an expectation of higher growth in input costs for hospital services – especially labor compensation, reflecting both expected increases in economy-wide wages and increasing competition for hospital employees.”<sup>4</sup>

HSCA member companies save their customers between 10 and 15% on most expense categories and upwards of 25% for certain prescription drug categories. GPOs are estimated to save the healthcare system \$392.2 billion to \$864.4 billion over a ten-year period, from 2013 to 2022.<sup>5</sup>

In addition to savings on purchased services and supplies, GPOs can also help their customers on the cost driver mentioned above – labor compensation. A 2014 study showed GPOs generated \$1.8 billion annually in human resource savings for hospital purchasing nationally by carrying out strategic sourcing, contracting, and other key activities for “inpatient pharmacy, general medical products, orthopedic products, other clinical products, and housekeeping products. For large systems, similar additional workforce expenditures of as much as \$600,000 per system would be necessary [in the absence of GPO services]. Thus, total workforce savings for hospitals and systems would exceed \$2 billion dollars annually.”<sup>6</sup>

Example: One hospital’s diagnostic imaging group reached out to their GPO looking for a solution to an expensive problem: a high percentage of ‘no shows’ for imaging appointments, which resulted in

### Case Study: Physician Preference

A GPO helped a healthcare system reduce costs for purchasing spinal implants and total joints.

Engaging physicians in the process, the GPO showed benchmarking data on cost and utilization.

By focusing on just two physician preference items, **\$2.15 million** was saved.

### Case Study: Office Supplies

One GPO helped 21 hospital members come together to buy office supplies from a local distributor.

The mini-consortium approach saved these members nearly **\$1 million**.

### Case Study: Food and Beverages

One GPO achieved **10 to 50% savings** in food purchases.

One GPO helped saved **more than \$10 million** over five years on beverages purchased by healthcare organizations.

**Case Study: Exact Match Conversions**

A GPO helped a healthcare entity change the way they purchased exam gloves.

The provider achieved **\$350,000 in savings** in one year. On gloves!

lost revenue and decreased operational efficiency. Working together, the GPO and the hospital implemented a cloud-based messaging solution delivering automated two-way communication between a medical practice and its patients. The outcome was a decrease in the number of missed appointments by more than 50%.

### How do GPOs generate savings?

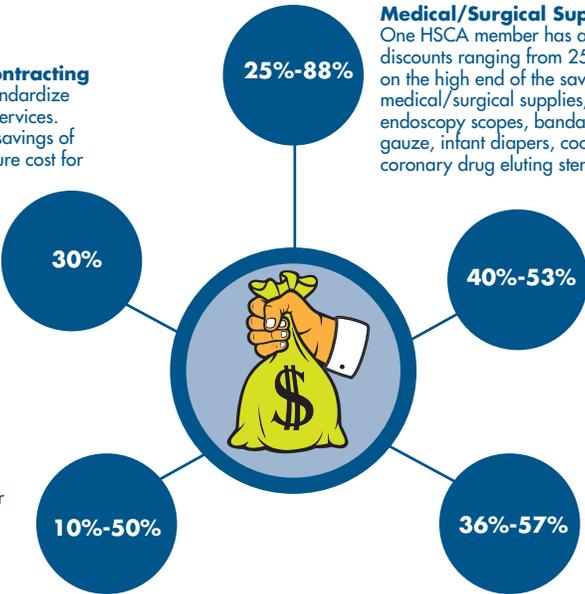
One of the most well-known benefits GPOs provide to healthcare organizations is lower

prices through volume-based discounts. While this is not the only service a GPO provides, it is important to understand how these prices are typically lowered by healthcare companies who use GPOs. These discounts are generally in two broad categories: medical/surgical supply and pharmacy. For example, exam gloves are a commonly used item in a wide variety of healthcare settings. Two of the most powerful techniques for lowering costs in the medical and surgical supply category include: (1) increase transparency of costs to the purchaser – in this case, the hospital; or (2) increase transparency of costs to some other healthcare entity. GPOs achieve increased transparency by using benchmarking data showing clients the range of prices being paid across the country.

## Sample Savings Across Categories

**Purchased Services/Custom Contracting**  
A GPO worked with companies to standardize services such as laser and lithotripsy services. Some of these projects have realized savings of 30% by reducing the average procedure cost for clients.

**Food**  
One HSCA member offers a committed program that consistently provides clients significant cost reduction across a variety of food categories as compared to list prices for non-GPO customers. The average savings ranges from 10.5% to 50% for a range of food categories.



**Medical/Surgical Supplies**  
One HSCA member has achieved average discounts ranging from 25% to 88% - more often on the high end of the savings scale - for medical/surgical supplies, including for GI endoscopy scopes, bandages, dressing and gauze, infant diapers, cochlear implants, coronary drug eluting stents and surgical mesh.

**Capital Equipment**  
Average discounts ranged from 40% to 53% on capital equipment such as external defibrillators and related products and imaging equipment (such as digital mammography systems).

**Textiles**  
For textile products such as patient gowns, flat sheets and washcloths, an HSCA member provided discounts of 36% to 57% off list price.

### Case Study: Benchmarking

National benchmarking data identifies product and service categories in which the healthcare entity is spending above the national median benchmark price. In these cases, a savings-to-median amount is calculated and presented as an estimate of savings. This type of approach is possible because GPOs have a broad view of healthcare product and service prices. GPOs, and the healthcare organizations they serve, all operate in a voluntary environment. Most hospitals, for example, work with two to four GPOs. This cross-pollination of information drives competition and innovation in the healthcare system at large. Because GPOs are able to provide not just efficiencies, but also predictability and context to purchasing decisions, and because they do it for entities across the supply chain, the visibility into pricing and value information they bring to clients is unparalleled.

After the GPO has performed this service for its client, then the GPO can develop and implement cost-reduction strategies. A member GPO was able to save one client \$350,000 in one year solely by changing their exam glove purchasing approach. Another member GPO worked with a medium sized regional integrated delivery network (IDN) to achieve approximately 10% savings on exact match conversions; that is, a commodity is replaced by a nearly identical commodity, in medical-surgical categories; 10% for pharmaceutical products; and more than 20% for most medical device categories. One GPO helped another IDN achieve nearly \$4 million in savings in just one year on medical and surgical supplies. These examples are abundant, and are just one type of service GPOs offer.

A vertical infographic titled "Case Study: Benchmarking" with a blue and white color scheme. It features a title box at the top, followed by a descriptive sentence, and three bullet points, each preceded by a white circle icon connected by a vertical line.

**Case Study: Benchmarking**

A GPO worked with a medium sized regional integrated delivery network to compare their prices to benchmarks:

- Achieved **10% savings** on exact match conversions in medical-surgical categories.
- Achieved **more than 20% savings** on most medical device categories.
- Achieved **10% savings** on pharmaceutical products.

A vertical infographic titled "Case Study: Benchmarking" with a blue and white color scheme. It features a title box at the top, followed by a descriptive sentence, and two bullet points, each preceded by a white circle icon connected by a vertical line.

**Case Study: Benchmarking**

■ A GPO worked with a large integrated delivery network to compare their prices for supplies to national benchmarks.

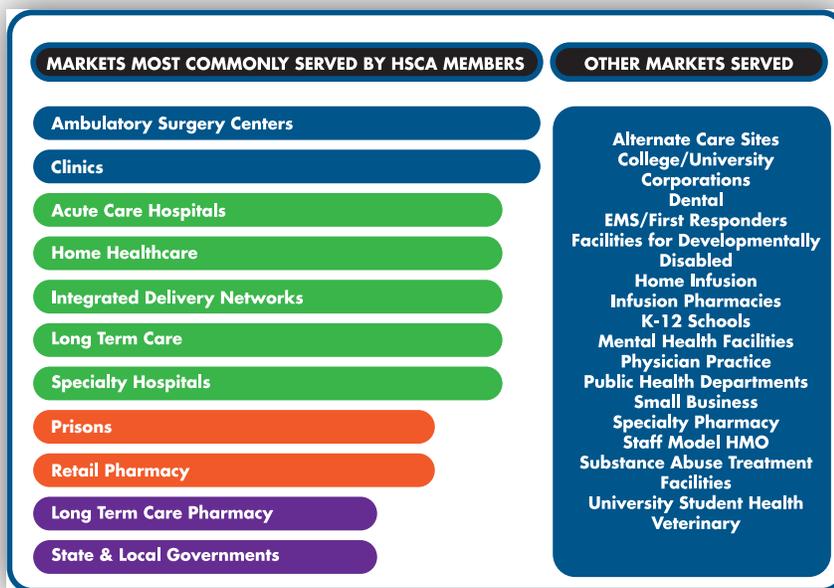
■ After re-negotiating prices, the integrated delivery system was able to achieve **\$4 million in savings** in one year.

## Creating Communities of Knowledge

By bringing together supply chain experts and healthcare providers, GPOs create many opportunities for stakeholders to share best practices. When HSCA members educate both supply chain professionals and the provider organizations on new products and services, they are bringing transparency and visibility to the experience, and improving predictability.

## Markets Served

GPOs are most commonly understood to work with hospitals, ambulatory surgery centers, and clinics, but HSCA members serve a wide range of markets as indicated below.



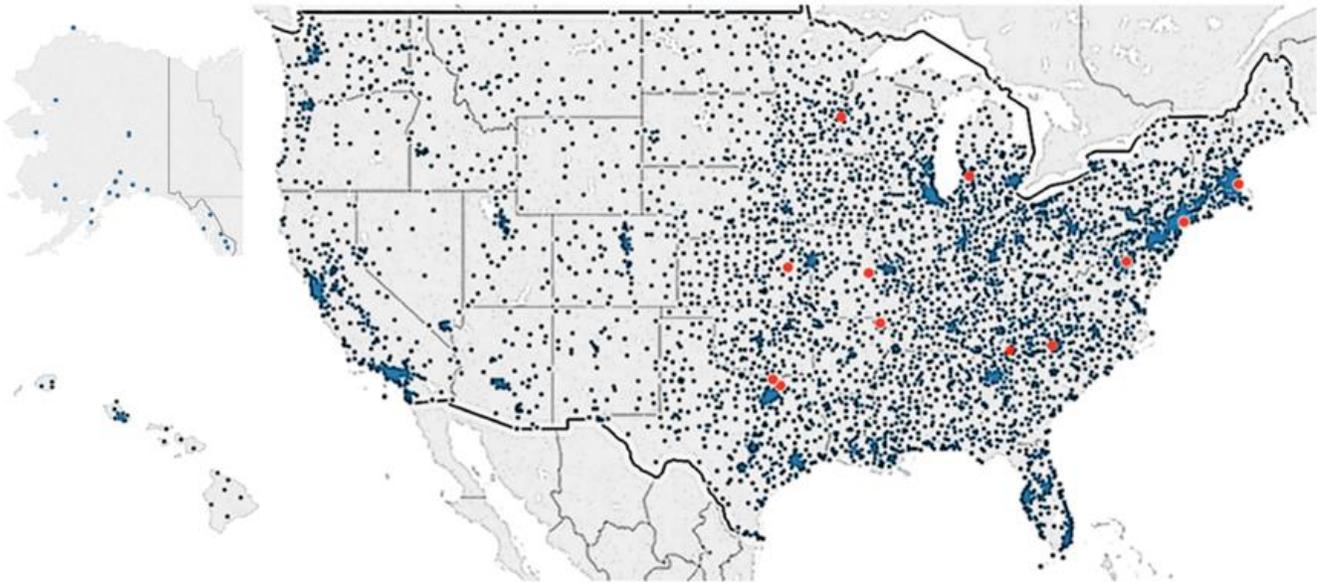
## The Geographic Reach of HSCA Member Services

To reduce costs, increase competition in the marketplace and help ensure that healthcare providers have access to the best products and services, GPOs focus on identifying diverse suppliers with innovative products and then help bring those products to market.

Hospitals and nursing homes have the greatest market penetration by GPOs.<sup>7</sup> GPOs are the sourcing and purchasing partners to virtually all of America's 7,700+ acute care providers.<sup>8</sup> Hospitals across the United States use an average of two to four

GPOs per facility.<sup>9</sup> A growing portion of the long-term care, ambulatory care, home care, and physician practice markets are also using group purchasing to help lower costs and improve efficiency. The federal government also provides group purchasing services to various executive branch agencies.

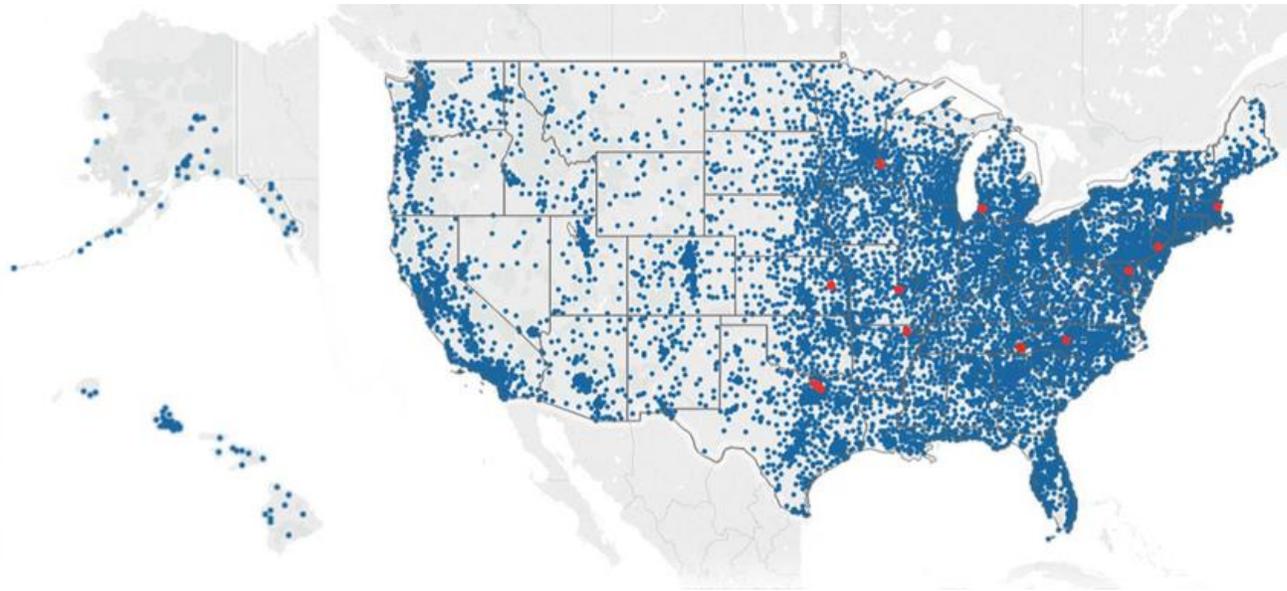
The Healthcare Supply Chain: Map of 7,700+ U.S. Acute Care Providers  
*98% of all U.S. Hospitals Utilize a GPO*



- GPO Member Providers
- HSCA Member Headquarters  
Andover, MA | Asheville, NC | Brentwood, TN  
Charlotte, NC | Elkridge, MD | Irving, TX (2)  
Middleville, MI | Mission, KS | New York, NY (2)  
Plano, TX | St Louis, MO | St. Paul, MN

*Data Provided by Definitive Healthcare: DefinitiveHC.com*

The Healthcare Supply Chain:  
Map of 68,000+ U.S. GPO-Member Non-Acute Care Providers  
*Including long-term care providers, clinics, surgery centers, home health providers, and more.*



● GPO Member Providers

● HSCA Member Headquarters

Andover, MA | Asheville, NC | Brentwood, TN  
Charlotte, NC | Elkridge, MD | Irving, TX (2)  
Middleville, MI | Mission, KS | New York, NY (2)  
Plano, TX | St. Louis, MO | St. Paul, MN

*Data Provided by Definitive Healthcare: DefinitiveHC.com*

## **Aggregate Total Volume**

Self-reported data from HSCA's 14 members indicates a total purchasing volume of well over \$200 billion per year. This aggregate volume continues to grow due to increased confidence in GPOs and the value provided by GPOs, and is a strong indicator of the member GPOs' ability to negotiate better rates and terms on behalf of all its members, and of their overall influence in the marketplace.

## **Aggregate Services and Solutions**

Some GPOs focus solely on volume discounts. HSCA members are provider-driven, and as such, are focused on enabling providers to effectively manage their entire non-labor spend with products, services, and technologies. Because of the breadth of services provided and contract categories offered, GPOs have a unique view across the entire healthcare system, and thus, a significant ability to change healthcare moving forward, especially when it comes to reducing costs, and driving innovation.

## Services Provided by HSCA Member GPOs

- Account management
- Benchmarking data services
- Biomed repair
- Bulk buy programs
- Clinical consulting: Preference items, pharmacy, dietary, radiology, etc.
- Clinical evaluation and standardization
- Competing services
- Continuing medical education
- Continuing pharmacy education
- Custom committed contracting
- Data analytics and custom reporting
- Drug information communication
- Drug shortage management
- Electronic commerce
- Environmental services (EVS)
- e-Procurement services
- Equipment repair services
- Formulary assistance
- Freight management services
- Healthcare industry updates
- Insurance services
- Invoice auditing services including state audit assistance
- Market research
- Marketing of products or services
- Materials management consulting
- Materials management outsourcing
- Membership input opportunities/programs (councils)
- New technology forums
- Patient safety services
- Pharmaceutical hazardous waste handling
- Purchased services program
- Revenue management programs and services
- Shared services integration
- Stockpiling/emergency preparedness program
- Supply chain analysis
- Supply chain integration services
- Supply chain strategic advisory services
- Technology assessments
- Telecommunications
- Utility management services (energy, water, waste, etc.)
- Warehousing services
- Wholesaler distribution services management program

## Contracting Categories of HSCA Member GPOs

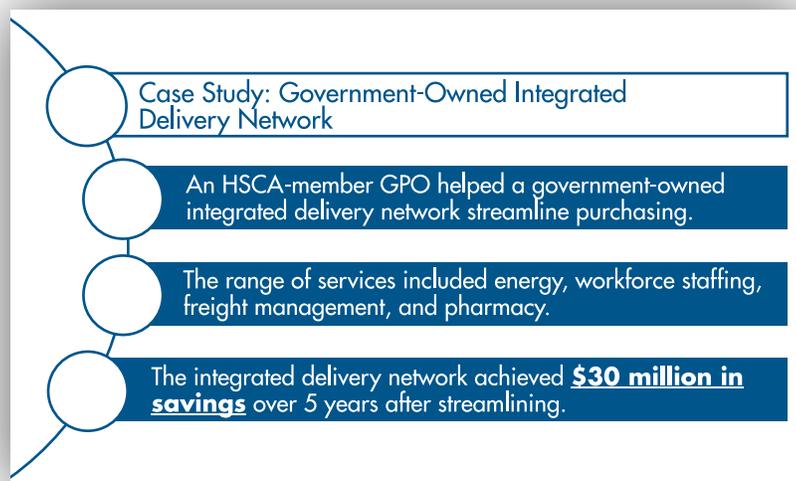
- Cardiovascular
- Commercial products: Computers, copiers, office and cleaning products, etc.
- Condoms
- Construction
- Contraceptive products
- Dental products and services
- Diabetic syringes, needles and related products
- Dietary
- Diversity
- Drug testing products and services
- Energy: Contracts with producers/providers of electricity and natural gas
- Environmental services
- Executive resources and office solutions
- Facilities management
- HR benefits: Insurance, pre-employment background checks
- Human resources
- Influenza vaccines
- Information technology
- Interventional radiology
- Invoice auditing
- IV solutions and supplies
- Laboratory equipment and supplies
- Medical supplies and equipment
- Nursing
- Nutritionals
- Operating room
- Pharmaceutical hazardous waste handling
- Pharmacy
- Prescription filling service
- Purchase services: Elevator maintenance, valet parking, lawn care, etc.
- Radiology supplies and equipment
- Repackaging services
- Returned goods processing
- Routine vaccines
- Surgical supplies and equipment
- Telecom
- Vials and containers
- Wholesaler distribution contracts

## Technology and Innovation

Within a healthcare organization, supply chain professionals are the ones usually called upon to make decisions about supply purchasing decisions, and ultimately may be responsible for total supply costs. When the product is needles, and you have the competitive power of benchmarking and market baskets, the work of a supply chain employee or team within a hospital or assisted living facility, the work may not be easy, but it is quantifiable. This is often not the case, however, when it comes to innovative new products or cutting-edge technology. How should the supply chain professional make purchasing decisions with limited information on high cost, and sometimes unproven services and products?

### **Case Study: Helping Supply Chain Pros Drive Smart Innovation**

Educating supply chain employees and teams within healthcare organizations is one of the lesser known, but most influential services provided by HSCA member companies. No other part of the healthcare system has a bird's eye view into both technology breakthroughs and the data on whether those breakthroughs bring value to patients. By definition, a supply chain professional has to balance cost and benefit in evaluating new technology. Helping these professionals drive smart innovation in healthcare is a key service delivered by HSCA members. For example, a member GPO works with its customers to create their own data-driven methods to proactively address new technology costs. Relying first on the supply chain analytics gathered from its national healthcare organization customer base, the GPO is able to provide dashboards to help providers understand how much a particular new product costs, as well as connecting it to patient outcomes and reimbursement.



GPOs are uniquely situated to provide national data on three types of information that can help drive better technology decision-making. First, GPOs are one of the first entities to know about cutting-edge technology, especially products or innovations from smaller companies who may not be able to launch on a national stage. If a GPO sees an innovative product being used by a particular healthcare entity, presented at a regional conference, or by inviting technology companies to present to group purchasing committees that include hospital employees and clinicians, that GPO can immediately offer that product to its customers across the entire country.

### **Case Study: Innovation Exchange**

Each national GPO holds and manages new technology and innovation summits and programs, where the medical supplier community is encouraged to submit their greatest innovations to be showcased. At such events, C-suite members, purchasing executives, and clinicians from the GPO's client base are able to collaborate and learn about the suppliers and products that are being showcased.

One HSCA member GPO holds an annual event that has more than 300 attendees and showcases nearly 200 of the newest products on the market from medical devices to equipment to information technology solutions. This event allows healthcare organization clinical and procurement experts to provide real-time feedback to manufacturers and provides a dedicated area for peer review of a healthcare entity's own

innovations. Another way to bring innovation to healthcare organizations is through special contracts. One GPO monitors the pipeline for emerging technologies and encourages suppliers to submit their technologies through either the competitive bid process, or a separate review process where any supplier may be considered for an Innovative Technology contract. The GPO relies on councils of clinical experts from healthcare organizations to then determine whether or not a supplier's solution should be offered an Innovative Technology contract.

GPOs negotiate product costs and have the ability to determine how that cost compares to other products in the marketplace. Even if a healthcare organization is a large, sophisticated player, it may not know every product that has been introduced to the marketplace that performs a certain function. And even if it is aware of the product, it may not have any information on how that particular innovation has worked for patients in other health systems. All GPOs have processes in place to get innovative technologies or products on contract when they emerge so GPOs can help any size healthcare organization make purchasing decisions to drive smart innovation that works in their local market.

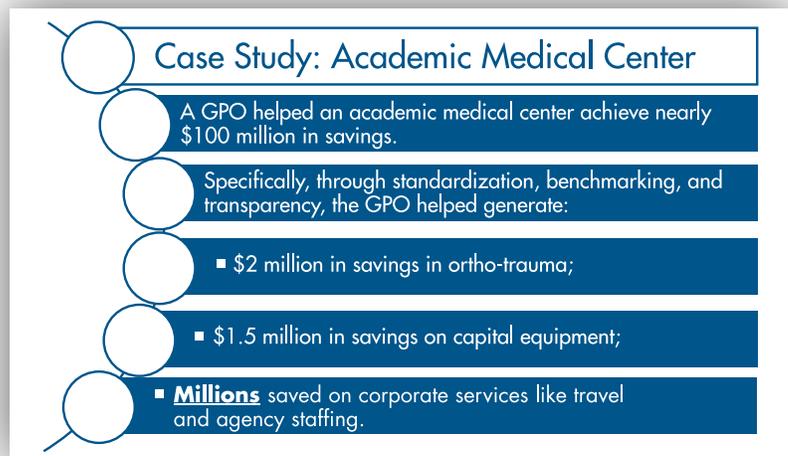
### **Case Study: Capital Equipment Solutions**

Many provider organizations are under pressure to maintain the highest quality of service with extremely limited resources. This often means that capital equipment can only be purchased on an as-needed basis. This is a significant challenge, as healthcare organizations need to continue to invest in innovation in order to provide better care for patients and retain staff. Some HSCA members employ Subject Matter Experts in the area of imaging to help healthcare organizations assess what innovative investments best fit their needs, and how these investments can fit into their capital equipment budgets.

The GPOs also serve as innovation purchasing educators, by giving customers access to databases of information on equipment planning, sourcing, and analytics, including likely reimbursement from new capital equipment purchases. Just as importantly, the GPOs help ensure the innovation purchase will support the needs of clinical staff and patients. For example, to ensure clinical staff and patient needs are being met, HSCA members also conduct focus groups to better understand the organizations' needs related to population health.

### **Case Study: Driving Smart Innovation Through CQO**

In essence, GPOs are offering a new paradigm for considering healthcare spending: CQO, or the intersection of cost, quality, and outcomes. Healthcare clients are encouraged to weigh total costs (services, procedures, products, and supplies), the impact on care quality, and total reimbursement outcomes when selecting products or implementing new processes. A healthcare entity can do this by asking product- and disease- state specific questions when comparing a higher and lower cost product, such as "what is the potential complication and cost of not using the more expensive product?" Once the cost of each product combined with the potential reimbursement is calculated, the healthcare entity can evaluate if there is a difference in clinical performance that justifies the purchase of a higher-priced product.



Under the CQO approach, supply-chain professionals work hand in hand with clinicians to use metrics that demonstrate the efficacy of various products as they relate to clinical outcomes, as well as the cost-benefit analysis of various products—i.e., whether spending more now means spending less later over the lifetime of a patient. These concepts have particular relevance as hospitals are dealing with a twofold challenge of growing patient volume and higher acuity. Marrying the science and the business of the healthcare supply chain is a groundbreaking—and necessary—paradigm shift, one that all future discussions of hospital operating costs should be sure to include.

## Healthcare Industry Supply Chain Trends

The healthcare industry is complicated, fast-moving and dependent on a wide range of external dynamics. Of note in 2016, multiple trends were at play in the industry, including: emergency preparedness, energy management, managing drug utilization, healthcare advocacy, and value-based purchasing.

### **Emergency Preparedness**

GPO expertise in supply chain, logistics, contracting, and hospital operations has proven to be invaluable during past crises, quickly establishing the supply chain as a significant component of emergency management. HSCA members devote significant resources to emergency preparedness and are deeply committed to ensuring that healthcare organizations are prepared to respond to the wide range of emergencies and disasters that could take place in their region. In the event of a health crisis resulting from a natural disaster, epidemic, or any other cause, GPOs work with their clients, but also other provider groups, and state, federal, and local health and emergency management agencies to ensure a coordinated, comprehensive response. HSCA members offer a broad range of emergency preparedness services including:

- All-hazards preparedness, community preparedness, and preparedness for specific events
- Local to state-level agency coordination assistance
- Training, education, and preparation related to particular outbreaks; for example, Ebola and Zika viruses
- Close collaboration with the Centers for Disease Control and Prevention (CDC) to communicate protocols and safety measures, including recommended products
- Critical crisis management requiring escalated response from suppliers
- Product selection navigation and cross referencing to functionally equivalent products if the first choice product is unavailable
- Creation and management of real-time disaster specific websites to house communications and updates for healthcare entities in areas affected by the emergency
- Toll-free customer support, call intake, triage, and routing to requested resources, extended or 24/7 hours during specific crises

Because GPOs have a global perspective throughout the full healthcare spectrum, and across the U.S., they are able to provide communication, coordination, and orchestration of emergency preparedness efforts to ensure healthcare providers have the supplies they need at the right time in the right place. A core GPO service is to work with suppliers to assess available inventories versus projected requirements and to ensure healthcare entities will have the products they need in an emergency. Notably, emergency preparedness and response is yet another way GPOs increase efficiency in the healthcare system. When emergencies occur,

GPOs can help coordinate medical supply and equipment donations to health systems that need the supplies, while also helping healthcare organizations dispose of surplus inventory.

Example: An HSCA member GPO was instrumental in helping healthcare organizations' emergency preparedness and response to Hurricane Sandy in 2012. The GPO ran a desk at the New York City Office of Emergency Management and received over 1,000 calls in reference to generators, fuel, dietary needs, cots/air mattresses, dry ice, linens, refrigerated trucks, and other miscellaneous medical/surgical supplies.

### **Energy Management**

Healthcare ranks as one of the country's most energy intensive industries, with hospitals spending more than \$10 billion on energy costs each year.<sup>10</sup> According to the U.S. Energy Information Administration's Commercial Buildings Energy Consumption Survey, hospitals tend to consume more energy per square foot than other buildings due to the number of energy-consuming activities that occur on their campuses, including laundry, medical and lab equipment use, sterilization, computer and server use, food service, and refrigeration. All of these activities result in high energy costs that can consume up to 3% of a hospital's total operating budget and up to at least 15% of annual profits.<sup>11</sup>

Energy is a high-cost area that is more complicated than commodity purchasing. HSCA members provide a range of services to healthcare organizations to help manage facility energy needs. Services include procurement and aggregation options, negotiating with energy suppliers, monitoring and auditing, and energy efficiency tools. For example, one HSCA member worked with an IDN to identify savings goals and in addition to savings on commodity items, the GPO was able to identify savings that included over \$2 million through the implementation of a new energy procurement strategy.

### **Managing Drug Utilization**

HSCA members have a portfolio of solutions to help clients manage price inflation and tackle drug utilization — issues closely connected to generic drug shortages. One of the most important offerings is rapid and reliable communication between manufacturers and providers. GPOs also provide regular communication with healthcare organizations about ongoing shortages and mitigation strategies. Additional solutions include auto-substitution, failure-to-supply programs, private label (products and services manufactured or provided by one company for offer under another company's brand), as well as spend management and budget development technology. For example, one HSCA member GPO offers upfront savings, 10% minimum — primarily on injectable and non-oral solid products — by using a cross-referenced substitution list that links all equivalents (generic-to-generic, brand-to-generic, and generic-to-brand) to the equivalent auto-substitution products. Another solution, called "failure to supply," is a program that enforces the special terms and conditions in supplier contracts that allow the healthcare entity to be reimbursed for the difference

The infographic is titled "Case Study: Pharmacy Spending" and is presented in a vertical list format. It features a central vertical line with four circular nodes. The top node is a white circle with a blue border. The subsequent three nodes are white circles with blue borders, each containing a blue rectangular text box with white text. The text boxes are connected to the central line by thin blue lines.

- Case Study: Pharmacy Spending**
- A healthcare organization had **\$37 million** in pharmacy spending for just eight drugs.
- Their GPO negotiated with the various manufacturers to save an average of **28%** for these eight drugs.
- Savings ranged from **10% to 57%**, depending on the drug.

between the GPO contract price and the cost of obtaining the product elsewhere, if available, at a higher price for a product that a manufacturer fails to supply, or which is periodically on backorder. Not only does the GPO drug utilization management service increase efficiency for individual hospital or other healthcare organization pharmacy departments by releasing them from the burden of performing this function manually, it also helps organizations manage drug shortages.

Consistent supply of drugs is, of course, essential to the operations of any healthcare organization. HSCA members are taking other innovative steps to address shortages. For example, GPOs identify potential new suppliers and help them come to market. GPOs work with suppliers to identify anticipated provider purchase volume, which helps suppliers achieve sufficient profit margin to continue producing supply, and communicate provider needs in advance so that manufacturers can plan production capacity and avoid shortage situations. GPOs track data on existing and potential drug shortages and, when shortages arise, GPOs help providers source and safely migrate to alternative products and manufacturers.

### ***GPOs as Healthcare Advocates***

One of the most important efforts HSCA members engage in related to drug shortages is as an advocate on behalf of healthcare entities and patients across the nation who need timely access to those drugs. HSCA members and the association's leadership have worked tirelessly to address manufacturer supply chain issues, including having face-to-face meetings with the FDA's Office of Drug Shortages to discuss alternatives. HSCA and its members consistently advocate for policy solutions that reduce costs, increase competition, and remove barriers to market entry, including the FDA backlog of Abbreviated New Drug Applications (ANDAs). HSCA supports the Increasing Competition in Pharmaceuticals Act (S.2615), legislation that would mandate FDA priority review of ANDAs for products with only one manufacturer, and urges Congress to mandate priority review for generic injectable drugs with two or fewer manufacturers. HSCA also supports mandated priority review of ANDAs in instances where there have already been significant spikes – specifically, where the market price of an existing product increases at a rate of more than five times the percent change that occurred in the Prescription Drugs Index of the Consumer Price Index (CPI) for the previous year. To further increase access to life-saving treatments and competition in the market, HSCA and its members are working with FDA to help ensure a pathway to market for biosimilar drugs that prioritizes patient safety and encourages development and uptake of these less-costly therapies.

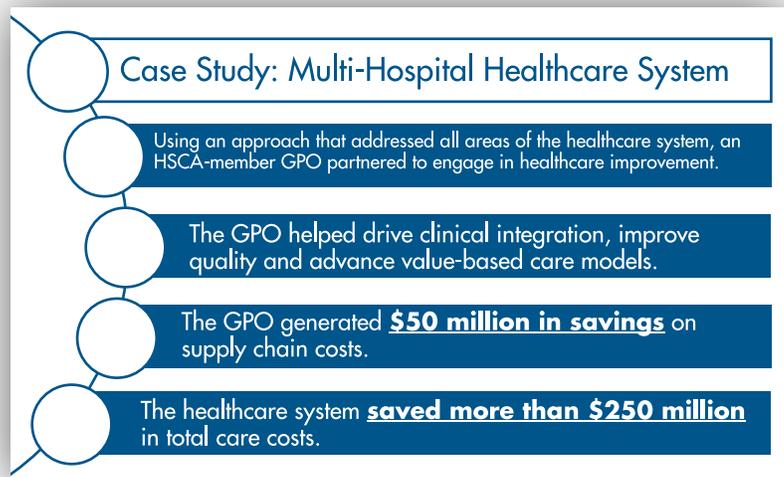
Drug shortages remain a complex problem without an easy solution. HSCA and its group purchasing organization members are committed to continuing to work with hospitals and other healthcare providers, policymakers, and all supply chain stakeholders to help mitigate this public health crisis.

### ***Value-Based Purchasing***

Value-based purchasing (VBP) is a new approach to paying for healthcare. VBP aims to connect payments to better care, smarter spending, and healthier people, instead of simply reimbursing for any service that is delivered, regardless of quality, cost, or impact on the health of the patient. For example, Medicare, which is the payer for nearly half the inpatient volume of hospitals across the country, created the Hospital Value-Based Purchasing program to reward higher quality care and the new Quality Payment Program for Medicare physician payment. Notably, Medicare aims to have 50% of total payments to providers be under some type of alternative payment program by 2018. The largest insurers in the country are also shifting to VBP. Aetna, for example, estimates about 40% of its payments are going to doctors and providers who practice value-based care. Aetna has committed to increasing that number to 75% by 2020.<sup>12</sup>

VBP requires healthcare organizations to take on more risk than in the existing system that allows the organization to simply receive an agreed upon fee when they deliver a certain service (often referred to as fee-for-service) regardless of the quality of care provided. Hospitals, IDNs, and other types of healthcare

providers are now being asked to accept payments for services that reflect quality and cost-effectiveness of care and are proven to work for the patients they serve. GPOs play a unique role in assisting both suppliers and healthcare organizations in responding to the opportunity VBP presents. Suppliers have long been interested in focusing on product quality over cost. Value-based payments are making this conversation more relevant to supply chain professionals, as product cost is now factored into reimbursement and the overall cost of an entire episode of care. Suppliers that better understand provider challenges and the immense VBP learning curve that many healthcare supply chain professionals face will be more successful in this new environment.



HSCA members are able to help organizations establish more strategic purchasing practices that connect total costs and patient outcomes with financial reimbursements. One way to better understand costs, outcomes, and reimbursements is through comparative effectiveness efforts. This is particularly useful in analyzing which products would bring the most value to physician preference areas, such as total joint replacement or spinal implants. These strategies focus on bringing together multi-disciplinary teams of supply chain and physician/clinician leaders to share data and engage in VBP discussions.

Finally, GPOs can also provide guidance and support to healthcare organizations interested in implementing value analysis in order to be best prepared to engage in VBP negotiations with payers. For providers who prefer to develop and manage their own program, GPOs may simply provide operations support related to contract analysis to ensure the healthcare entity's staff have more time to focus on strategic efforts. Other efforts include product utilization guides written by GPO subject matter experts that can help healthcare organizations make value-based decisions. Alternatively, a GPO may offer a higher level of support to develop a physician-led value analysis program where the GPO brings in experts to help an organization assess supply spend, engage clinical staff in strategy formation, track and validate savings, and create organization-wide accountability. Like many GPO services, this value analysis model empowers clinicians to participate in purchasing decisions while driving improved patient outcomes and reduced costs.

### **Adding Value to Suppliers**

GPOs also provide tremendous value to suppliers as a part of the sales process. Not only do GPOs help develop and build supplier and customer relations and lower the cost of sales through greater efficiencies, but they also enhance supplier credibility through:

- Data management and use
- Growth opportunities
- Education about markets and the needs of providers
- Rapid information sharing with providers
- Websites and useful information available to providers
- Continuing education
- Collaboration to understand and meet provider needs

By creating a collaborative environment that encourages education and customer access to data and growth opportunities, GPOs bring great benefits to their supplier partners in the business transaction.

## Healthcare Group Purchasing Industry Initiative

As part of the group purchasing industry's commitment to compliance, ethics, and other industry standards, executives representing the nation's largest GPOs created the Healthcare Group Purchasing Industry Initiative (HGPII) in 2005. HGPII is an independent, voluntary, non-profit 501(c)(6) organization that monitors business practices within the GPO industry.

In order to participate in HGPII, participating companies must report business practices annually, participate in an annual best practices forum, and adhere to six principles:

1. Have and adhere to a written code of business conduct. The code establishes high ethical values and sound business practices for the GPO.
2. Train all within the organization as to their personal responsibilities under the code.
3. Commit to work toward the twin goals of high quality healthcare and cost effectiveness.
4. Commit to work toward an open and competitive purchasing process free of conflicts of interest and any undue influences.
5. Have the responsibility to each other to share their best practices in implementing the Principles; participate in an annual Best Practices Forum.
6. Be accountable to the public.

### ***HGPII: Ensuring Accountability and Transparency of GPO Practices***

Member companies are also required to participate in a multi-tiered review of their business practices. The annual review includes a lengthy questionnaire—called the Public Accountability Questionnaire (PAQ)—which surveys business practices related to ethics, compliance to code of conduct principles, and contracting. Following the PAQ, HGPII survey coordinators ask member GPOs targeted follow-up questions. HGPII uses findings from this survey to publish a yearly public report on key GPO business practices.

HGPII has also established an independent supplier grievance process. The process includes neutral review of grievances against member GPOs by the American Arbitration Association® (AAA), which provides an opinion. Following the AAA opinion, HGPII suggests resolutions and, if necessary, provides guidance on compliance to HGPII principles. All HGPII member GPOs must agree to participate in the HGPII Evaluation.

In its unique role, HGPII also acts as a conduit for transparency between GPOs and Congress, federal agencies, and other stakeholder groups. The principles that HGPII was founded on have also been supported within the healthcare industry by the American Hospital Association, Association of American Medical Colleges, Catholic Health Association of the United States, Federation of American Hospitals, Children's Hospital Association, America's Essential Hospitals, and the National Rural Health Association.<sup>13</sup>

### **The GPO Safe Harbor**

The federal Anti-Kickback Statute, originally enacted by Congress in 1972, specifically prohibits the knowing or willful solicitation, receipt, offer, or payment of remuneration, including any kickback, bribe, or rebate, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward the purchase of an item or service for which payment may be made under a federal healthcare program.<sup>14</sup> In response to concerns about the vague application of anti-kickback statutes, the Medicare and Medicaid Patient and Program Protection Act of 1987 directed the Office of the Inspector General (OIG) of the Department of Health and Human Services (HHS) to create 23 statutory and regulatory "safe harbors," which carve out certain arrangements from the federal Anti-Kickback Statute.<sup>15</sup> These are sometimes referred to as GPO Statutory and Regulatory Safe Harbors. Notably, in the discussions in the House of Representatives about which transactions should be granted a "safe harbor," a Committee report<sup>16</sup> indicated organizations that use these

services believed GPOs reduce healthcare costs and that the services GPOs provide should be protected under a “safe harbor.”

In 1991, the HHS promulgated regulations to describe how GPOs are required to structure their financial transactions with customers to qualify for the “safe harbor.” GPOs must:

- Have a written agreement with customers stating either the maximum amount of administrative fees each vendor will pay, or that administrative fees will be 3% or less of the purchase price of the goods or services provided by that vendor.
- Annually disclose in writing to each customer, and to the Secretary of HHS upon request, the amount of contract administrative fees received from each vendor.<sup>17</sup>

### **Committee for Healthcare eStandards**

The Committee for Healthcare eStandards (CHeS) was formed in 2000 as a collaborative of organizations dedicated to promoting the adoption and use of open data standards in the healthcare industry. In 2008, CHeS joined and became part of HSCA and remains a leading advocate for the adoption, implementation and active use of data standards to improve accuracy, efficiency and safety throughout the healthcare supply chain.

CHeS has endorsed the adoption of the GS1 standards now being incorporated in the healthcare supply chain including the Global Location Number™ (GLN™), the Global Trade Item Number® (GTIN®), and the use of the Global Data Synchronization Network® (GDSN®). CHeS also endorses the use of the United Nations Standards Products and Services Code® (UNSPSC®). The Total Visibility Project is a CHES initiative that defines a minimum set of standard product attributes that a supplier can publish to the GDSN to fulfill HSCA member requirements.

Through CHeS, HSCA maintains active leadership in the healthcare data standards implementation movement. Utilizing information releases as well as participation in and cooperation with other standards organizations CHeS representatives and leadership are active in industry efforts to advance standards adoption, serving on the GS1 leadership council, GS1 workgroups and the Association for Healthcare Resource & Materials Management (AHRMM) Learning Unique Device Identifier (UDI) Community. A CHeS study in the spring of 2016 showed a 13% increase in GPO access to item information published to the GDSN relative to the previous fall. CHeS plans to continue the study annually.

## Conclusion

For more than a century, GPOs have enabled hospitals, nursing homes, and healthcare providers to better serve their patients by lowering costs, identifying best practices, and improving supply chain efficiency.

Today's GPOs:

1. Reduce Healthcare Costs
2. Increase Competition
3. Support Transparency
4. Improve Healthcare Processes
5. Add Value to Suppliers

GPOs have a direct line of sight across an immense span of healthcare products and services, and their prices. As such, they provide not just efficiencies, but also predictability and context to purchasing and supply decisions. In addition, GPOs propel healthcare process and system transformation by educating supply chain employees and teams within healthcare organizations on best practices in improving healthcare processes, especially related to purchasing. Lastly, GPOs help bend the cost curve by offering an advanced paradigm for reducing healthcare spending: the intersection of cost, quality, and outcomes.

# ENDNOTES

<sup>1</sup>This annual report was produced by HSCA on behalf on the HSCA member organizations. M2 Health Care Consulting authored this paper with ongoing input from HSCA and member entities.

<sup>2</sup>Keehan SP, et al., National Health Expenditure Projections, 2015–25: Economy, Prices, and Aging Expected To Shape Spending and Enrollment. Health Aff. 2016; 35(8):1-10.

<sup>3</sup>Keehan SP, et al., National Health Expenditure Projections, 2015–25: Economy, Prices, and Aging Expected To Shape Spending and Enrollment. Health Aff. 2016; 35(8):1-10.

<sup>4</sup>Raskin JR, et al., U.S. health care facilities: 2016 outlook: laboring through post-ACA period. New York (NY): Barclays Bank; January 6, 2016.

<sup>5</sup>Dobson A, Heath S, et al. A 2014 Updated of Cost Savings and Marketplace Analysis of the Group Purchasing Industry. Dobson, DaVanzo and Associates for Healthcare Supply Chain Association. 2014.

<sup>6</sup>Schneller, ES. The Value of Group Purchasing – 2009: Meeting the Need for Strategic Savings. Health Care Sector Advances, Inc. 2009.

<sup>7</sup>Dobson A, Heath S, et al. A 2014 Updated of Cost Savings and Marketplace Analysis of the Group Purchasing Industry. Dobson, DaVanzo and Associates for Healthcare Supply Chain Association. 2014.

<sup>8</sup>Definitive Healthcare. Acute Care Facility Data. 2016.

<sup>9</sup>Healthcare Supply Chain Association (HSCA). A Primer on Group Purchasing Organizations (GPOs). [http://c.ymcdn.com/sites/www.supplychainassociation.org/resource/resmgr/research/gpo\\_primer.pdf](http://c.ymcdn.com/sites/www.supplychainassociation.org/resource/resmgr/research/gpo_primer.pdf)

<sup>10</sup>Premier Safety Institute, Healthcare Energy Reduction and Efficiency, 2015. <http://www.premiersafetyinstitute.org/safety-topics-az/energy/healthcare-energy-reduction-efficiency/>

<sup>11</sup>U.S. Energy Information Administration, Independent Statistics and Analysis, 2012 Commercial Buildings Energy Consumption Survey: Energy Usage Summary, March 18, 2016. <https://www.eia.gov/consumption/commercial/reports/2012/energyusage/>

<sup>12</sup>Aetna, St. John Health System ACO launch value-based network, Healthcare Finance, 4/8/16, <http://www.healthcarefinancenews.com/news/aetna-st-john-health-system-aco-launch-value-based-network>.

<sup>13</sup>For more information see <http://www.healthcaregpoii.com>

<sup>14</sup>See 42 U.S.C. § 1320a-7b

<sup>15</sup>The entirety of the Safe Harbor regulations can be found here: <https://www.gpo.gov/fdsys/pkg/CFR-2014-title42-vol5/pdf/CFR-2014-title42-vol5-sec1001-952.pdf>

<sup>16</sup>H.R. Rep. No. 99-727, at 72-73 (1986)

<sup>17</sup>Office of Public Affairs, Office of Inspector General Department of Health & Human Services, Fact Sheet November 1999, Federal Anti-Kickback Laws and Regulatory Safe Harbors. <https://oig.hhs.gov/fraud/docs/safeharborregulations/safefs.htm>

# HSCA MEMBER ORGANIZATIONS

The below GPOs are dues-paying members of the Healthcare Supply Chain Association.



## About Capstone Health Alliance

Capstone Health Alliance is a group purchasing alliance of healthcare members that delivers real cost savings through the power of aggregation and collaboration. Based in Asheville, North Carolina, Capstone represents over \$5 billion in acute care supply chain spend. To create the best savings opportunities for our members, we pair Premier's national portfolio with our local aggregation model – blending the best of national and regional contracting – to continually expand our extensive portfolio of more than 575 preferred pricing agreements. Capstone delivers quantifiable savings and actionable data that enable better supply chain decisions for our member facilities. In addition to cost savings initiatives, Capstone members collaborate to share best practices and pursue resource utilization initiatives, all with the intent of improving cost, quality, and outcomes in patient care. Visit [www.capstonehealthalliance.com](http://www.capstonehealthalliance.com) for more information.



## About CHA

Children's Hospital Association (CHA) is an exclusive alliance of 43 children's hospitals in North America. Established in 1985 and headquartered in Shawnee Mission, Kan., CHA is owned and operated by the nation's leading non-competing, freestanding children's hospitals, which together represent more than 20,000 physicians, 135,000 employees, \$25 billion in revenue and \$2.1 billion in overall medical, surgical and pharmaceutical products. CHA owner executive and clinical leaders share data, knowledge and buying power to reduce costs and improve clinical and operational performance in children's hospitals. CHA Owner Hospitals perform better together, ultimately advancing the quality of care available to America's children. Visit [www.childrenshospitals.org](http://www.childrenshospitals.org) for more information.



## About GNYHA Services

GNYHA Services is an acute care group purchasing and supply chain efficiency organization operated by GNYHA Ventures and affiliated with Premier. GNYHA Services combines the benefits of national pricing with the advantages of regional flexibility to serve more than 1,200 acute care hospitals and health-related facilities. The GNYHA Services regional contract portfolio includes competitive contracts in the areas of diagnostic services, facilities and construction, foodservice, nursing, and surgical services. The Pharmacy Services program affords members access to a comprehensive pharmacy portfolio as well as regional contracts for various pharmacy consulting services (e.g., 340B drugs, antibiotic stewardship). Visit <http://www.gnyhaservices.com/> for more information.



### **About HealthTrust Purchasing Group**

HealthTrust Purchasing Group is a group purchasing organization supporting nearly 1,400 not-for-profit and for-profit acute care facilities, as well as ambulatory surgery centers, physician practices and alternate care sites. HealthTrust is committed to obtaining the best price for clinically-recommended products, ensuring their timely delivery, and continuously evaluating and improving services to the patients, physicians and clinicians we serve. Visit <http://www.healthtrustcorp.com> for more information.



### **About HPS**

HPS is a member owned, super-regional group purchasing association serves the needs of more than 3,000 organizations. A volunteer board of managers ensures that we adhere to strict ethical standards while offering our members expert service and resources. Using the combined purchasing power of our membership, our advisory committees, made up of member volunteers, we are able to obtain competitive contracts and pricing. We work directly with vendors to streamline the equipment and supply buying process. Through supplier contracts, manufacturer agreements and trusted partnerships, our group purchasing services offer advantages such as lowered costs, preferred products and efficient communication with vendors. Visit <http://www.hpsnet.com/> for more information.



### **About Innovatix, LLC**

Innovatix is a leading national group purchasing organization (GPO) that has evolved to provide strategic procurement solutions and operational support to help non-acute healthcare providers, educational institutions, and businesses thrive. It serves more than 32,000 members comprising senior living facilities (assisted living, continuing care retirement communities, independent living, and skilled nursing), pharmacies (home infusion, long-term care, specialty, mail order, and retail), independent medical oncologists, and K – 12 schools. The newest division, Innovatix Business + Industry, offers GPO services to financial, legal, and professional services firms; retailers; as well as independent businesses nationwide. Innovatix offers an industry-leading selection of products and services that help members reduce expenses while enhancing the quality of services and care they provide. Innovatix also provides members with unparalleled value-added services like free continuing education (CE), federal advocacy, clinical expertise, and in-depth analytics. Visit [www.innovatix.com](http://www.innovatix.com) for more information.



**INTALERE<sup>SM</sup>**

ELEVATING THE HEALTH OF HEALTHCARE

### **About Intalere**

Intalere's mission focuses on elevating the operational health of America's healthcare providers by designing tailored, smart solutions that deliver optimal cost, quality and clinical outcomes. We strive to be the essential partner for operational excellence in healthcare through customized solutions that address customers' individual needs. We assist our customers in managing their entire non-labor spend, providing innovative technologies, products and services, and leveraging the best practices of a provider-led model. As Intalere draws on the power of our owner Intermountain Healthcare's nationally-recognized supply chain expertise and leadership in technology, process improvement, and evidence-based clinical and business best practices, we are uniquely positioned to be the innovation leader in the healthcare industry. Visit [www.intalere.com](http://www.intalere.com) to learn more.



### **About Minnesota Multistate Contracting Alliance for Pharmacy**

MMCAP is a voluntary group purchasing organization operated by the State of Minnesota serving government-authorized healthcare facilities. The goal of MMCAP is to provide member organizations the combined purchasing power to receive the best value in pharmaceuticals, hospital supplies, and related products. Visit <http://www.mmd.admin.state.mn.us/mmcap/> for more information.



### **About Premier**

Serving more than 2,500 U.S. hospitals and 73,000-plus other healthcare sites, the Premier healthcare alliance and its members are transforming healthcare together. Approximately 200 hospitals and health systems created and entirely own the Premier alliance. Premier's mission is "to improve the health of communities." Visit <http://www.premierinc.com> for more information.



### About PRIME

PRIME is a healthcare group purchasing organization committed to providing its members with access to superior products and services at competitive prices with exceptional personal service. PRIME is the shared services subsidiary of the Maryland Hospital Association. It has existed to provide cost containment programs and services to its members since the early 1960's. Its member healthcare providers serve all classes of trade in the Mid-Atlantic region. Members include healthcare providers in all classes of trade including hospitals, health systems, surgery centers, clinics, nursing home/assisted living, closed pharmacy and other health related entities. Visit <http://www.mhaprime.org/> for more information.



### About Provista

Provista is a leading performance improvement company dedicated to helping nearly 70,000 hospitals, medical facilities, universities and colleges, and corporations nationwide improve their financial and operational performance. Through Novation, Provista's supply contracting company, we provide members with the most competitive, extensive portfolio available. Together, we provide nearly \$40 billion in combined annual purchasing power. Through a continuous portfolio review, Provista ensures members constant access to the best pricing on the products and services used daily. Provista is owned by VHA Inc. and our agreements are contracted and managed by Novation, Provista's contracting services company. Provista takes aggressive measures to help members reduce overall supply expenses and ensure that the value received from contracts remains best-in-class. Provista employs a competitive contract process using purchasing scale and leverage to achieve stronger negotiation power on behalf of members. Visit <https://www.provistaco.com/> for more information.



Better together. Better results.

### About TPC

TPC is a network of community-based healthcare providers that work together as a single system to aggregate business volume and leverage economies of scale without sacrificing individual independence or local ownership. By working through a committed platform, TPC drives collaboration and innovation across a range of clinical, operational and economic areas enabling providers to maximize the financial and non-financial value they receive. TPC represents 20 acute care hospitals and approximately \$1 billion in purchasing volume. TPC exists for the sole purpose of helping healthcare organizations remain strong and independent. For more information, visit [www.tpcselect.com](http://www.tpcselect.com).



### **About Vizient**

Effective April 1, 2015, VHA Inc., the national healthcare network of not-for-profit hospitals, and UHC, the alliance of the nation's leading academic medical centers, along with Novation, their healthcare contracting company, combined into a single organization – Vizient. Vizient is the largest member-owned healthcare company in the country and is dedicated to leading healthcare innovation, creating knowledge and fostering collaboration to help our members thrive. The company serves more than 5,200 health system and hospital members and affiliates as well as 167,000 non-acute healthcare customers. Members range from independent, community-based healthcare organizations to large, integrated systems and academic medical centers, and it represents more than \$60 billion in annual purchasing volume. Headquarters are in Irving, Texas, with locations in Chicago and other cities across the United States.



### **About Yankee Alliance**

Yankee Alliance, an owner of Premier Inc., is a group purchasing organization founded in 1984 on a belief in collaboration, that working together can achieve more than working alone. Our mission is twofold: to work with members to reduce supply and operating expenses through aggregation of data, purchasing, ideas and knowledge and to excel in strategic innovations that continually assist members in reducing their cost while recognizing their individual needs. Today Yankee Alliance remains true to the foundational belief in collaboration and has grown to over 13,100 members in all classes of trades across all 50 states. Please visit [www.yankeealliance.com](http://www.yankeealliance.com).



# Supply Chain 101

How healthcare group purchasing organizations (GPOs) help hospitals and other healthcare providers achieve cost savings.



GPOs deliver value to manufacturers in the form of consistent and predictable contracting; an efficient sales and marketing channel; value analysis; and automated supply chain analytics.



GPOs help hospitals source the best products and services at the best value...

Manufacturers, distributors and vendors provide medical products & services



...everything from cotton balls to pharmaceuticals and MRI machines; from food to construction and landscape services.



GPO contracts are voluntary. Hospitals are free to purchase from the GPO contract or directly from the manufacturer; 98% of hospitals use at least one GPO

GPOs also relieve administrative burden by providing other services, such as:

-  Educating Clinicians on Best Practices
-  Market Research & Value Analysis
-  Benchmarking Data



GPOs aggregate the purchasing power of hospitals & providers to negotiate competitive discounts with vendors, who voluntarily enter GPO contracts for a nominal administrative fee. Fees are generally 1-2% of total contract price and are highly transparent.



GPOs pass cost savings onto hospitals and other healthcare providers to ensure optimal patient care. There are no markups, added costs or hidden fees.

## \$25-55 BILLION IN SAVINGS



By pooling purchasing power, increasing competition in the marketplace, and serving as hospital supply chain partners, GPOs drive down healthcare costs for patients, providers, Medicare and Medicaid, and American taxpayers, and save the system between **\$25-55 billion per year.**<sup>1</sup>

The Healthcare Supply Chain Association (HSCA) represents the nation's leading healthcare group purchasing organizations (GPOs), which are critical cost-savings partners to America's hospitals, nursing homes, nursing home pharmacies, clinics, assisted living facilities, infusion pharmacies, home healthcare providers, and surgery centers. This is the first HSCA annual report of the value GPOs bring to the healthcare system.