

A new analysis of data from the Centers for Medicare and Medicaid Services (CMS) and survey data of healthcare providers found that healthcare group purchasing organizations (GPOs) save the healthcare industry up to \$34.1 billion annually and will reduce healthcare spending by up to \$456.6 billion over the next ten years. According to the report, GPOs save Medicare and Medicaid up to \$15.5 billion annually and will reduce Medicare and Medicaid spending by up to \$206.4 billion over the next ten years. The report, commissioned by HSCA and conducted by healthcare economists at Dobson DaVanzo & Associates, used the National Health Expenditure (NHE) data published by CMS along with data collected from a survey of healthcare providers that use GPO services to determine GPO cost-savings. According to the report, GPOs reduce supply-related purchasing costs of healthcare providers by 13.1 percent compared to providers who do not use GPO services. The report also noted that GPO services result in increased efficiencies, better use of staff, and lower total costs for the entire healthcare system.

GPOs Deliver Billions of Dollars in Cost-Savings to the Entire Healthcare System

- ✓ GPOs save the entire healthcare system **\$34.1 billion annually**, and will save the healthcare industry **\$456.6 billion over the next ten years (2017-2026)**.
- ✓ GPOs **reduce supply-related purchasing costs to nursing homes and hospitals by 13.1 percent** compared to providers who do not use GPO services.
- ✓ GPOs deliver cost-savings through in a variety of ways including **up-front pricing discounts, reduced administrative costs, and product standardization**.

GPOs Generate Significant Cost-Savings for Medicare and Medicaid

- ✓ GPOs generate **\$8.7 billion annually in Medicare cost-savings** and will save Medicare **\$116.3 billion over the next ten years**.
- ✓ GPOs save Medicaid **\$6.8 billion annually** and will generate **\$90.1 billion in Medicaid cost-savings** over the next ten years.

GPOs Provide Value Beyond Cost-Savings to the Entire Healthcare System

- ✓ In addition to delivering cost-savings, **GPOs improve care quality and ensure that hospitals and providers are delivered the appropriate supplies for each patient**.
- ✓ Collectively, **GPO services lead to increased efficiencies, better use of staff, and lower total costs** that benefit providers, patients, and the entire healthcare system.

Survey Data and CMS Figures Affirm GPO Cost-Savings

- ✓ To help determine GPO cost-savings, **researchers surveyed hospital and nursing home provider networks that used GPO services in their purchases** and received responses from stakeholders representing 530 facilities with a total business volume of \$59.7 billion.
- ✓ Researchers combined the survey data with **the National Health Expenditure (NHE) data published by CMS**.
- ✓ The study also **incorporated updated estimates from the Federal Register on the non-labor proportion of hospital and nursing home spending** to ensure an accurate representation in the data.
- ✓ To view the full report, visit: <https://www.supplychainassociation.org/resources/studies/>