

Supply Chain 101

How Group Purchasing Organizations (GPOs) Bend the Healthcare Cost Curve

WHAT IS A GPO?

A GPO is an entity that helps healthcare providers - such as hospitals, nursing homes and home health agencies - achieve cost savings by aggregating purchasing volume and using that leverage to negotiate discounts with manufacturers, distributors and other vendors. In exchange, GPOs recoup a minimal administrative fee from vendors to continue providing savings. Healthcare providers have used GPOs for over 100 years to provide end-to-end solutions throughout the continuum of care. To protect the savings GPOs enable for healthcare providers, Congress codified existing GPO business practices into the GPO Safe Harbor law in 1987.

A Common Model

GPOs are used in many other industries. Federal government agencies like the GSA, VA and DoD rely on the cost savings GPOs deliver, as do many private sector industries such as grocery, electronics, manufacturing, and the agriculture and non-profit communities.

GPOs Source Vital Needs

In addition to generating cost savings, providers across the U.S. rely on GPOs to help manage complicated purchasing decisions. GPOs have expanded their offerings to meet evolving provider needs, including:

- 📦 Educating clinicians on best practices
- 📦 Food service + construction
- 📦 Electronic tracing of products
- 📦 Benchmarking data
- 📦 Market research
- 📦 Antibiotic stewardship + infection control
- 📦 Emergency preparedness

Savings By the Numbers

- 📦 98% of America's 5,000+ hospitals use at least one GPO¹
- 📦 GPOs save the healthcare system up to \$34.1 billion per year²
- 📦 90% of hospitals are satisfied or very satisfied with their GPO³
- 📦 GPOs reduce supply-related purchasing costs to providers by 13.1%⁴
- 📦 From 2017-2026, GPOs will enable savings of \$456.6 billion to the healthcare system and \$116.3 billion to Medicare⁵