

Healthcare Group Purchasing Organizations (GPOs): Helping American Hospitals, Long-Term Care Facilities, and Other Healthcare Providers Prevent Drug Shortages

Healthcare Supply Chain Association (HSCA) Drug Shortage Issue Brief:

Ongoing prescription drug shortages continue to be a public health crisis and jeopardize patient access to essential medications. The FDA has consistently noted that drug shortages are a complex problem that requires a multi-stakeholder solution. Healthcare group purchasing organizations (GPOs) are critical partners helping hospitals and the healthcare system prevent and mitigate the impact of drug shortages – working collaboratively with hospitals, physicians, manufacturers, distributors, and government agencies to ensure that hospitals and patients have access to the life-saving drugs they need.

GPOs Are Taking Innovative Steps to Help Healthcare Providers Avoid Shortages

- ✓ **GPOs track data on shortages and strategize with their hospital members** when there is potential for supply chain disruption. They also help hospitals **source and safely migrate to alternate products when shortages arise**.
- ✓ GPOs help member hospitals lessen their exposure to shortages **by evaluating manufacturer reliability** when sourcing or awarding contracts, and **helping providers establish best-practice purchasing procedures**.
- ✓ When shortages occur, **GPOs work to identify additional manufacturers for products in shortage and help bring them to market** as quickly as possible to help ensure patient access to the medications.

Voluntary GPO Contracting Provides Predictability and Flexibility to Hospitals & Suppliers

- ✓ **GPOs include failure-to-supply clauses in their supplier contracts** to incentivize suppliers to produce a sufficient amount of product. At the same time, GPOs also ensure their contracts are flexible and **allow suppliers to adjust contract prices** when they experience raw materials shortages or other disruptions to production.
- ✓ GPOs work with suppliers to **identify anticipated provider purchase volume, which helps suppliers achieve sufficient profit margin to continue producing supply**. GPOs also **communicate provider needs in advance**, so that manufacturers can plan their production capacity and avoid shortage situations.
- ✓ In potential shortage situations, **GPOs help guarantee purchase volume and profit margin for suppliers** to ensure they have incentive to continue producing supply.

HSCA Advocates for Policy Solutions that Increase Competition and Help Avoid Shortages

- ✓ HSCA and its member GPOs leverage their unique line of sight over the entire healthcare supply chain to **advocate for policy solutions that help avoid or mitigate drug shortages**. HSCA [supported](#) the MEDS Act, which provided FDA with additional authority to address drug shortages, strengthen manufacturing reporting requirements, and advance incentives to help ensure a stable supply of critical prescription drugs. **In 2020, key provisions of the MEDS Act were ultimately included in the passage of the CARES Act**.
- ✓ HSCA successfully advocated for **expedited FDA review and approval of abbreviated new drug applications (ANDAs)** for products where there were three or fewer manufacturers, a provision that ultimately **became law as part of the FDA Reauthorization Act of 2017**.
- ✓ HSCA provided [feedback](#) to the DEA regarding a **proposed rule on annual opioid production limits**. HSCA urged the DEA to differentiate between outpatient/oral narcotics and inpatient/injectable opioids, many of which are currently already in shortage and are an essential element of treatment for inpatient post-surgical and medical pain management.
- ✓ **HSCA submitted [comments](#) to FDA providing policy suggestions for addressing drug shortages, participated in stakeholder listening sessions with FDA**, and worked closely with FDA's Drug Shortages Task Force which recently issued its comprehensive report on drug shortages.