

# Group Purchasing Organization (GPO) Industry Overview

G.A.B.

HOW TO DO MORE WITH LESS

# Agenda

- Introductions & Background
- Acute Care GPO Industry Background & Objectives
- Industry Players
- Medical Practice Purchasing Challenges
- The Impact of Reducing Costs
- Physician Focused Solutions

# Introductions & Background

- Jeff Clark
  - April 1, 2004
  - California - Arkansas
- Groupsource created (formerly ILS National) over 14 years ago to deliver a physician focused solution.
  - Endorsements from medical societies, associations, etc. representing over 70,000 physicians
  - Customer retention rate over 95%

# Acute Care GPO's

- Started as regional organizations in the late 80's to leverage buying power
- National consolidation and further growth in leverage in the 90's
- Primarily focused on the acute care market and contracting models are designed accordingly, i.e. sole source contracts, no invoice auditing, etc.

# Acute Care GPO Players

- Premier
  - Largest, demand contract compliance to participate
  - Members contract spend = \$10B-\$20B
- MedAssets
  - Second largest and catching Premier
  - Members contract spend = \$10B-\$20B

# Acute Care GPO Players

- Novation – strong third place
- Broadlane, Consorta & Amerinet – (national but regionally focused)
- Regional GPO's & those owned by hospital systems (i.e. Columbia HCA)
- Affiliates such as Shared Services, APS, CHCA, etc.

# Membership in a GPO

## Participation

Hospitals

100%

Medical Practices

Less than 25%

Why the disparity?

\$\$ & Organization

# Fragmented Market (vs. Hosp.)

- Medical practice is essentially a small business with multiple CEO's (physicians) & one over worked, beaten down, unappreciated manager (☺)
- Medical practices are local businesses with local relationships
- Purchasing is an additional duty in most cases
- Purchasing is decentralized & manual
- Invoice auditing manual (if completed at all)

# Fragmented Market (vs. Hosp.)

- Physician preference, vendor gifts and staff idiosyncrasies drives purchasing decisions
- Physician spend is a fraction of hospital spend (\$200K vs \$20-\$30M)
- Managers don't know about or won't entertain GPO solutions
- GPO's know their solution is designed for hospitals

# Acute Care GPO's Not Interested

- Result for the Practice
  - Leverage is essentially non-existent
  - Price variability rampant (vendors address nurse's momentary focus)
  - Discrepancy resolution time consuming & ineffective
- Impact: Costs are 20%-40% higher than necessary

# So What Are The Options?

- Associations & Medical Societies
- IPA's & Hospital Networks
- Physician Focused GPO's
  - GroupSource
  - Local or regional solutions
  - Practice management companies

# Key Criteria

- First – identify true advocates (hint: its not a vendor) & verify expertise (is it their 'core' business?)
- Join a GPO that covers your entire spend
- Implement GPO contracts where savings are verifiable – both before joining and routinely thereafter
- Demand price accountability & understand discrepancy resolution tactics
- Demand compliance from your staff & seek out standardization opportunities

# Is It Worth It?

- Nurses spend less time in shopping and more time nursing
- Vendor commitment = higher vendor service levels
- Price/invoice discrepancies eliminated
- View cost reduction as a revenue center

# More Information on GPO's

- GroupSource: [www.groupsourceinc.com](http://www.groupsourceinc.com)
  - Jeff Clark
  - 501-352-7333