



UTAH HOSPITALS & HEALTH SYSTEMS
A S S O C I A T I O N

August 28, 2009

The Honorable Orrin G. Hatch
United States Senate
104 Hart Senate Office Building
Washington, DC 20510-0001

Dear Senator Hatch:

Hospitals, nursing homes, clinics, surgery centers and assisted living homes all rely on Group Purchasing Organizations (GPOs) as their trusted purchasing partners. GPOs aggregate provider purchasing power and use that leverage to negotiate discounts with manufacturers on their behalf. GPO's play a critical role with all providers in contracting for the "best value" in supplies, and to improve service and quality, by partnering with clinicians to evaluate products that are the best for their patients.

Recent studies by Health Care Sector Advances, under the direction of Eugene S. Schneller, Ph. D. (enclosed), demonstrate that this partnership delivers \$36 billion in annual cost reductions to the nation's hospitals; these are savings that provide us with the price protection and savings necessary to devote more of our scarce resources to patients.

Savings are generated beyond product pricing. It is estimated that an additional \$1.8 billion dollars would be required for human capital to negotiate contracts on an individual facility basis. These added costs will undoubtedly force closures of providers in small communities, and specifically in the rural areas where reimbursement is less than cost and the access to human capital is limited. Amerinet, the nation's leading provider of GPO services in rural settings, continues to offer cost reductions allowing for the continued offering of care to the community in which access is available through only one provider.

On behalf of the hundreds of providers of care in Utah, UHA, Utah Hospitals and Health Systems Association, representing 50 hospitals and health systems, strongly urges Congress to avoid any restrictive legislation affecting GPOs that will only reduce access and increase the cost of care. As we approach healthcare reform, please know that changing the way GPOs work at this time is a step in the wrong direction.

Sincerely,

Joseph Krella
President & CEO