

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 identified quality-control problems, manufacturing issues and barriers to getting new suppliers on-line as the primary causes of drug shortages. 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 shocks 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 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 urged FDA not to significantly reduce the list of approved bulk substances for 503B compounding, which could lead to suppliers exiting the market and exacerbate drug shortages.