KEY DIFFERENCES BETWEEN

Healthcare Group Purchasing Organizations (GPOs) & Pharmacy Benefit Managers (PBMs)

HSCA

As policymakers continue to consider ways to lower healthcare costs, it's critical they understand the key differences between healthcare group purchasing organizations (GPOs) and pharmacy benefit managers (PBMs). Healthcare GPOs have a distinctly different model from PBMs and play a different role in the healthcare supply chain.

GPOs serve hospitals and other healthcare providers by negotiating contracts with suppliers, including medical device companies and drug manufacturers, to deliver high-quality products at the best possible value to their members. Provider use of GPOs is completely voluntary, and providers have the option to use multiple GPOs to meet their needs and reduce costs to consumers. GPOs prefer supplier point-of-sale price reductions, not rebates. GPOs work off a net price discount, which is the price that GPO customers pay. In the rare instance that a supplier provides a rebate, GPOs provide a direct cost reduction of the entire rebate to the customer or member provider. GPOs are often owned by their member providers, which means all purchasing decisions are member-driven. Provider-led GPOs are all based in the U.S., do not take title to product, and do not function as distributors or wholesalers.

PBMs serve and are often owned by third-party payers, including commercial insurance companies, and do not serve providers. PBMs negotiate supply and reimbursement arrangements for pharmaceuticals. PBMs have now created their own GPOs or use another PBM's GPO – which are not the same as traditional provider-led GPOs – are not based in the U.S., and are therefore not subject to U.S. regulation. Below, please find a detailed comparison of GPOs and PBMs, including markets served, rebates/fees, products and services provided, operating guidelines, information disclosures, and transparency.

(Note: The following distinctions apply to the traditional healthcare GPO model used by member GPOs of the Healthcare Supply Chain Association (HSCA). Virtually all of America's 7,000+ hospitals and 68,000+ non-acute care facilities utilize traditional GPOs.)

Key Differences at a Glance

	GPOs	PBMs
Markets Served/Owned By	Surgery Centers, Nursing Homes, Hospitals, Clinics	Insurers & Plan Sponsors
Products/Services	Help source and negotiate contracts for virtually all products and services	Develop formularies and negotiate to reduce third-party payer drug costs
Rebates	✗ Prefer supplier point-of-sale price reductions, which is the price consumers pay, not rebates	✓ Collect compensation, including rebates, based on specific contract requirements
Fees	Fees calculated based on **net contract price**, with average administrative fee for a GPO contract ranging from 1.75% to 2%	Administrative fees calculated in multiple ways, including on the basis of **wholesale price**
Transparency	✓ Offer full transparency and consistent, published pricing to all provider members	✗ Limited reporting of the specific amount of individual rebates, fees, and other reimbursements
U.S. Government Regulation	✓ All HSCA member GPOs are based in the U.S. and subject to government regulation	✗ Group purchasing organizations created by PBMs are not based in the U.S. and are not subject to government regulation