

How Group Purchasing Organizations (GPOs) Support America's Healthcare Providers

What is a GPO?

A **healthcare GPO** is an entity that helps healthcare providers – such as hospitals, nursing homes and home health agencies – **achieve cost savings by aggregating purchasing volume** and using that **leverage to negotiate discounts with manufacturers, distributors and other vendors**. In exchange, GPOs recoup a small administrative fee from vendors to continue providing savings.

Healthcare providers have used GPOs for over 100 years to provide end-to-end solutions throughout the continuum of care. To protect the savings GPOs enable for healthcare providers, **Congress codified existing GPO business practices into the GPO Safe Harbor law in 1987**. Today, **virtually all of America's over 7,000+ hospitals as well the vast majority of the over 68,000+ non-acute care centers use at least one GPO**.

A Common Model

GPOs are used in many other industries. Federal government agencies like the GSA, VA and DoD rely on the cost savings GPOs deliver, as do many private sector industries such as grocery, electronics, manufacturing, and the agriculture and non-profit communities.

GPOs Source Vital Needs

In addition to generating cost savings, providers across the U.S. rely on GPOs to help manage complicated purchasing decisions. GPOs have expanded their offerings to meet evolving provider needs, including:

-  Electronic tracing of products
-  Emergency preparedness
-  Antibiotic stewardship + infection control
-  Benchmarking data
-  Market research
-  Educating clinicians on best practices
-  Food service + construction

Savings By the Numbers

- GPOs save the healthcare system up to **\$34.1 billion per year**¹
- Hospitals use **2–4 GPOs on average**²
- **90%** of hospitals are satisfied or very satisfied with their GPO³
- GPOs reduce supply-related purchasing costs for providers by **13.1%**⁴
- From 2017–2026, GPOs will enable savings of **\$456.6 billion to the healthcare system and \$116.3 billion to Medicare**⁵

¹ "A 2018 Update of Cost Savings and Marketplace Analysis of the Health Care Group Purchasing Industry," Dobson DaVanzo & Associates, April, 2019

² "Group Purchasing Organizations: Services Provided to Customers and Initiatives Regarding Their Business Practices," Government Accountability Office, August, 2010

³ "Hospital Supply Chain Executives' Perspectives on Group Purchasing: Results from a 2014 National Survey," By Lawton Robert Burns, Ph.D., MBA and Rada Yovovich, University of Pennsylvania, September, 2014

⁴ "A 2018 Update of Cost Savings and Marketplace Analysis of the Health Care Group Purchasing Industry," April, 2019

⁵ "A 2018 Update of Cost Savings and Marketplace Analysis of the Health Care Group Purchasing Industry," April, 2019