

Delivering Billions in Cost-Savings to the Entire Healthcare System

Healthcare Supply Chain Association (HSCA) GPO Safe Harbor Summary:

For over 100 years, healthcare group purchasing organizations (GPOs) have been critical cost-savings engines for American healthcare providers, delivering billions in annual savings to hospitals and other healthcare providers, Medicare and Medicaid, and taxpayers. To protect those cost-savings, Congress included the GPO Safe Harbor Provision in its 1987 Medicare and Medicaid Patient Protection Act to codify existing GPO practices. The GPO Safe Harbor is not unusual – in fact, it is one of 23 provisions of the 1987 Act. A broad array of business practices are now protected within federal healthcare programs by safe harbors, including price reductions offered in health plans, equipment rentals, replenishment of ambulance supplies, and referral arrangements in specialty services.

The GPO Safe Harbor Unlocks Billions in Cost-Savings for the Entire Healthcare System

- The GPO Safe Harbor is the statutory provision that allows healthcare GPOs to deliver billions in savings to hospitals and other healthcare providers, Medicare and Medicaid, and taxpayers. A 2018 [analysis](#) of Medicare claims data found that GPOs save **\$34.1 billion** annually, up to **\$456.6 billion over ten years**, and up to **\$116.3 billion in Medicare**– and **\$90.2 billion in Medicaid savings** over the same period (2017–2026.)
- Congress included the GPO Safe Harbor in its 1987 **Medicare and Medicaid Patient Protection Act to protect the cost-savings realized through lawful GPO practices**. As detailed in a [report](#) by Richard Kusserow, former Inspector General of the Department of Health and Human Services, the provision did not initiate any new business practices; it merely reflected existing GPO business practices.
- As part of the Safe Harbor, Congress **permitted existing GPO arrangements** with healthcare providers and vendors as long as a written agreement established the amounts of any payments made by vendors to a GPO and amounts paid were properly disclosed to the Department of Health and Human Services (HHS).

The GPO Safe Harbor is Not Unusual; a Broad Range of Industries Leverage the Vendor-Fee Model to Deliver Cost-Savings

- The GPO Safe Harbor is not unusual – it is **one of 23 such provisions** in the 1987 Act. A broad array of lawful practices is protected within federal healthcare programs by safe harbors, including price reductions offered in health plans, equipment rentals, ambulance supply replenishment, and referral arrangements in specialty services.
- The vendor-based fee model under which GPOs operate is common, **and increasingly leveraged by other industries to yield cost-savings**, including government procurement (Departments of Defense, Veterans Affairs), food service, online marketplaces and group buying, consumer credit, hospitality, and non-profits and charities.

The GPO Model & Business Practices Have Been Thoroughly Reviewed by All Relevant Stakeholders

- The GPO model and business practices have been **reviewed by the U.S. Department of Justice (DOJ), Federal Trade Commission (FTC), Government Accountability Office (GAO), U.S. Supreme Court, 8TH Circuit Court of Appeals, Congress, academia, and virtually all of America's 7,000+ hospitals**.
- Former **FTC Chair Jon Leibowitz** [examined](#) the GPO market in 2017 and found that GPOs save money for providers, patients and taxpayers; that GPOs promote competition in the procurement services market; and that **the current GPO funding model supports lower costs and increased competition**.
- **HSCA members voluntarily participate in the Healthcare Group Purchasing Industry Initiative (HGPII)**, an ethics and transparency organization. Former **U.S. Representative Phil English (R-PA)** and former **U.S. Senator Byron Dorgan (D-ND)** **conduct comprehensive annual industry reviews** and have consistently found that **GPOs maintain high ethical standards and business practices that promote innovation, transparency in the bidding process and compliance**.