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HEALTHCARE SUPPLY CHAIN ASSOCIATION
Innovators In Evidence-Based Sourcing

Testimony of Angie Boliver,
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before the
Subcommittee on Health, Committee on Energy and Commerce
United States House of Representatives

Lowering Health Care Costs for All Americans:
An Examination of the Prescription Drug Supply Chain
February 11, 2026

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Chairman Guthrie, Ranking Member Pallone, Chairman Griffith, Ranking Member DeGette, and distinguished members of the Subcommittee,

Thank you for the opportunity to discuss the important role of traditional healthcare group purchasing organizations (GPOs) in lowering costs in the pharmaceutical supply chain. As the sourcing and contracting partners to American hospitals and healthcare providers, traditional healthcare GPOs help healthcare providers obtain critical medical products and supplies at affordable prices so that they can focus on their core mission: providing first-class patient care. HSCA and our member GPOs appreciate your focus on lowering costs for all Americans, and we look forward to discussing the unique value GPOs deliver to providers and the patients they serve.

Overview of Traditional Healthcare GPOs

Traditional healthcare GPOs are the sourcing and contracting partners to hospitals, long-term care facilities, surgery centers, clinics, and other healthcare providers across the country. Initially formed in the early 1900s, traditional healthcare GPOs combine potential purchasing volume on behalf of healthcare providers, drive competition among suppliers, and reduce healthcare costs. GPOs help secure access to medical products for their provider members under fair and affordable terms, providing savings for patients, providers, Medicare, Medicaid, and taxpayers alike.[1] GPOs contract for a broad range of healthcare products and services, including drugs, medical devices, surgical equipment, cybersecurity, hospital food and landscaping, and hospital gowns. In addition, health systems, physician offices, and other providers often rely on GPOs for services well beyond supply contracting and procurement. GPOs' wide-ranging services include providing broad clinical feedback, supply chain

[1] Healthcare providers that elect to participate in a GPO program are interchangeably referred to as "members," "participants," or "customers" of the GPO that are eligible to make purchases pursuant to the terms of applicable GPO contracts with suppliers.

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analytics, emergency preparedness and disaster response, risk management, and compliance, among other services.

GPO services are particularly important for small and rural healthcare providers. These facilities face persistent financial pressures that threaten their ability to stay open, including increasing labor costs. According to a report from the Center for Healthcare Quality and Payment Reform, "all but seven states have at least one rural hospital at immediate risk of shutting down."[2] Over 600 rural hospitals – around 30% of all rural hospitals across the country – are at risk of closing in the near future.[3] GPOs enable small and rural healthcare providers, which often lack purchasing power, transactional experience, and resources, to access affordable pricing and favorable terms on essential supplies on par with their larger healthcare counterparts. According to Definitive Healthcare, 95% of the nearly 2,600 rural and critical access hospitals in the United States have a designated primary GPO, demonstrating the value that the GPO industry brings to these critical institutions.

Traditional healthcare GPO contracts are completely voluntary for providers and suppliers. No healthcare provider is required to join a GPO, providers have flexibility to purchase outside of the GPO contract, and most healthcare providers belong to multiple GPOs. The U.S. Government Accountability Office (GAO) reported that, on average, hospitals maintained relationships with two to four different GPOs to drive competition and optimize their cost savings.[4] Similarly, no supplier is required to contract with a GPO, and many choose to sell their products directly to providers.

[2] "The Crisis in Rural Health Care," Saving Rural Hospitals, https://ruralhospitals.chqpr.org/.
[3] Marcus Robertson, "631 Hospitals at Risk of Closure, State by State," *Becker's Hospital Review*, January 3, 2023, www.beckershospitalreview.com/finance/631-hospitals-at-risk-of-closure-state-by-state.html?utm_medium=email&utm_content=newsletter.
[4] Government Accountability Office, "Group Purchasing Organizations: Services Provided to Customers and Initiatives Regarding Their Business Practices," August 2010: https://www.gao.gov/assets/gao-10-738.pdf.

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Traditional Healthcare GPOs Are a Cost-Savings Engine for the Healthcare Supply Chain

Traditional healthcare GPOs lower costs for patients, providers, Medicare, Medicaid, and taxpayers. GPOs reduce transaction costs for providers and secure lower prices by negotiating discounts from suppliers.[5] The reduction in transaction costs benefits suppliers as well by accommodating fewer, more focused sourcing and contracting efforts, while also facilitating efficient and predictable transaction volumes.

Both independent and industry-funded studies confirm the effectiveness of GPOs to healthcare providers and the healthcare system at large, finding that GPOs deliver annual cost savings of 12-18% across the entire medical supply portfolio.[6] [7] One report estimated that GPOs will have reduced healthcare spending by up to $456.6 billion for the ten-year period between 2017 and 2026.[8] GPOs were projected to generate $116.3 billion in Medicare cost savings and $90.1 billion in Medicaid cost savings over that timeframe.[9] Importantly, GPOs also enable rural and other smaller providers to obtain critical supplies at competitive value commensurate with large providers.

Traditional Healthcare GPOs Are Not PBMs, PBM-Owned Rebate Aggregators, or Wholesalers

There has recently been some confusion about the role of traditional healthcare GPOs versus the role of the rebate aggregator "GPOs," or "rebate GPOs," created and owned by pharmacy benefit

[5] Ibid.
[6] Lawton Robert Burns and J Andrew Lee, "Hospital purchasing alliances: utilization, services, and performance," *Health Care Management Review* 33, 3 (July 1, 2008): 203-15, https://doi.org/10.1097/01.hmr.0000324906.04025.33
[7] Allen Dobson and Joan DaVanzo, "A 2018 Update of Cost Savings and Marketplace Analysis of the Health Care Group Purchasing Industry," April 2019, https://www.supplychainassociation.org/wp-content/uploads/2019/05/HSCA-Group-Purchasing-Organizations-Report-FINAL.pdf.
[8] Ibid.
[9] Ibid.

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managers (PBMs). Traditional healthcare GPOs have a distinct role, business model, and serve different settings in the healthcare supply chain.[10]

Traditional healthcare GPOs are U.S.-based and serve American hospitals and healthcare providers, as opposed to retail pharmacies and pharmacy chains. The interests of GPOs are entirely aligned with their healthcare provider members, and, in fact, many GPOs are owned by the providers themselves. Traditional healthcare GPOs are fully transparent with their healthcare provider members, do not take possession of or title to product, do not participate in the Medicare Part D prescription drug program, and are focused on getting an appropriate and fair net-price. GPOs predominantly source medications used in site-of-care settings, and they do not play a significant role in retail pharmacies. GPOs primarily negotiate point-of-sale price reductions – any post-sale rebates earned on member purchases are passed through to the providers that earn them. Flexibility for providers and suppliers is integral to the GPO business model and actual pharmaceutical purchases are made by the providers, not GPOs.

In contrast, the PBM-owned "rebate GPOs" work primarily in the retail prescription market with health insurance companies and plan sponsors, and aggregate rebates earned on purchases by the PBMs themselves. Increasingly these market participants are vertically integrated, often with a payor, giving them significant influence in the pharmaceutical supply chain. A 2024 FTC Interim Staff Report acknowledged the distinction between traditional healthcare GPOs and PBM rebate aggregators, noting that "PBMs refer to these entities [rebate aggregators] as group purchasing organizations, though they do not perform traditional GPO functions."[11]

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[10] The FTC has acknowledged the distinction between traditional healthcare GPOs and PBM-owned "rebate aggregators" in a July 2024 Interim Staff Report on "Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies." In a February 2026 settlement with one PBM, the FTC referred to these entities as "rebate GPOs."
[11] Id.

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Traditional healthcare GPOs are also distinct from pharmaceutical wholesalers/distributors, also known as "buying groups" or "retail sourcing organizations." These entities aggregate purchasing and compete in the retail pharmaceutical market, and they do directly purchase and take possession of products, unlike traditional healthcare GPOs. Neither PBM-owned "rebate GPOs" nor wholesalers/distributors represent the provider segment like traditional healthcare GPOs.[12]

GPOs Consider Quality and Reliability, Not Just Price

The traditional healthcare GPO business model is voluntary, flexible, and clinically driven. Importantly, GPOs take a comprehensive approach to sourcing and contracting that not only considers the competitive price offered by suppliers, but also the quality, reliability, and stability of supply. For example, GPOs carefully evaluate drug suppliers on the consistency of product availability, fill rates, recall frequency and management, disaster preparedness, secondary supply lines, and manufacturing transparency including available quality records.

GPOs recognize and reward quality while encouraging a healthy market, which generally includes multiple manufacturers. GPOs also work to expand the overall number of manufacturers, including encouraging new suppliers to enter the market. GPOs continue to work with suppliers to map out entire product supply chains and encourage manufacturers to identify alternative sources of active pharmaceutical ingredients (API).

HSCA member GPOs also recognize that reliability and predictability are paramount for manufacturers as well. That is why contracts between GPOs and suppliers serve to provide certainty and predictable demand that manufacturers need for capacity planning and production forecasts.

[12] For additional information on the differences between traditional healthcare GPOs and PBMs, please reference the chart appended to this testimony.

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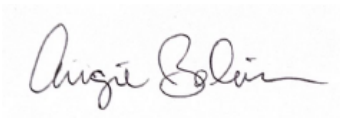
GPOs Play a Key Role in Preventing and Mitigating Drug Shortages

Ensuring a stable drug supply is also a critical component of efforts to address recurring shortages, which continue to impact hospitals and the patients they serve. Shortages are particularly challenging in pediatric healthcare settings, as drugs intended for children often have fewer manufacturers and a less resilient supply chain due to risks associated with handling, niche formulations and dosing, and specialized delivery mechanisms. Traditional healthcare GPOs actively work to prevent drug shortages and support a resilient drug supply. GPOs offer innovative programs to protect against supply chain interruptions, track global data on raw materials and active pharmaceutical ingredients to anticipate potential disruptions, and participate in numerous government-led and public-private initiatives designed to mitigate the effects of shortages. GPOs also work to support efforts to increase domestic manufacturing by encouraging investments in domestic production capacity and helping U.S. suppliers bring new products to market.

Thank you again for the opportunity to provide our perspective to the Subcommittee. We appreciate your willingness to learn more about the traditional healthcare GPO industry, and we look forward to working with you to ensure patients and providers have affordable access to medications. Please do not hesitate to contact me directly if HSCA or our members can be a resource on this issue moving forward. Should you or your staff want to speak further, I can be reached directly at aboliver@supplychainassociation.org.

Sincerely,



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Appendix:
Key Differences Between Traditional Healthcare GPOs and PBM Rebate Aggregators

KEY DIFFERENCES: Traditional Healthcare Group Purchasing Organizations (GPOs) & Pharmacy Benefit Manager (PBM) Rebate Aggregators

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As Washington continues to consider ways to lower healthcare costs, it is critical that policymakers understand the key differences between traditional healthcare group purchasing organizations (GPOs) that serve healthcare providers, and rebate aggregators owned by pharmacy benefit managers (PBMs) that have begun to also call themselves PBM "GPOs."

Healthcare GPOs serve hospitals and other healthcare providers by negotiating contracts with medical device companies and drug manufacturers (among other suppliers, such as labor, food, landscaping) to deliver high-quality products, reduce provider burden, and maximize efficiencies to both providers and suppliers at the best possible value.

So-called PBM GPOs/rebate aggregators are created, owned by, and serve PBMs. Each of the "Big Three" PBMs – **Express Scripts (Ascent Health Services), CVS Caremark (Zinc), and OptumRx (Emisar Pharma Services)** – owns and operates its own rebate aggregator. These entities operate outside the transparency and reporting requirements applicable to traditional GPOs.

Key Differences at a Glance[1]

	Traditional Healthcare GPOs	PBM Rebate Aggregators
ORGANIZATIONS SERVED	**Healthcare GPOs serve healthcare providers** (hospitals, surgery centers, nursing homes, clinics, and other non-acute care facilities). Providers often have an ownership interest in GPOs.	**PBM "GPOs"/Rebate Aggregators serve health plans (including retail pharmacy).** PBMs own and operate rebate aggregators including: • Ascent Health Services (Express Scripts) • Zinc (CVS Caremark) • Emisar Pharma Services (OptumRx)
SERVICES PROVIDED	Negotiate contracts for goods and services for **healthcare providers.** Secure volume discounts from drug manufacturers based on aggregating the purchases of many providers. Work with manufacturers on secondary lines in case of supply disruption, and provide analytics, clinical, supply chain and other services to healthcare provider members.	Provide formulary management and formulary rebate administrative services for **pharmacy benefit managers.** Negotiate rebates from drug manufacturers. May contract directly with health plans and pharmaceutical companies in place of PBMs.
NEGOTIATED ITEMS AND SERVICES	Negotiate supply contracts based on net price. This includes securing supplier **point-of-sale price reductions**. If a supplier provides a discount in the form of a rebate, GPOs pass those directly onto the provider.	**Rebates** and administrative fees associated with a patient's health plan, which may be retained and not passed on to the patient.
REGULATION OF FEES	Fee structures **must comply** with the GPO Safe Harbor and Discount Safe Harbor of the Federal Anti-Kickback Statute. GPO fees are calculated on net contract price. The average administrative fee for a GPO contract ranges from 1.75 to 2%.	Fees fall outside most federal regulation, except for those required to be reported as Direct and Indirect Remuneration (DIR) under Medicare Part D. **Limited information** is available about how fees paid to PBM rebate aggregators are calculated, particularly outside of Medicare.
TRANSPARENCY/ REQUIRED DISCLOSURES	GPOs are also **required by law** to disclose all fees to their healthcare provider members up front, provide annual written reports to each customer that details the specific fee earned for each contract, and make that information available to the government upon request.	PBMs are generally **not required** to disclose additional fees and revenue received from aggregators as part of their contracts.
HEADQUARTERS	All HSCA healthcare provider member GPOs are **based in the U.S.**	Some of the largest PBM rebate aggregators are **not based in the U.S.**, and are therefore not subject to federal government oversight and regulation, and have fewer tax implications: • Express Scripts/Ascent Health Services (Switzerland) • OptumRx/Emisar Pharma Services (Ireland)
FLEXIBILITY	GPO use is completely **voluntary**; healthcare provider members can, and often do, purchase outside of a GPO contract.	PBMs make it **difficult** for health plans or pharmaceutical manufacturers to contract outside of their rebate aggregators.
IMPACT ON MEDICARE PART D	GPOs **do not** participate in the Medicare Part D prescription drug program.	Medicare Part D plan sponsors **use** PBMs and their rebate aggregators to administer drug benefits.
IMPACT ON HOW MUCH PATIENTS PAY	GPO healthcare provider members include hospitals, nursing homes, physician practices and other healthcare providers. GPOs **do not** make healthcare provider member pricing decisions.	Rebate structures **negotiated by PBMs** affect health insurance coverage and the price consumers pay for their medications.

1. 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.

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