



# Health Policy Statement No. 7 Does Not Sufficiently Protect Patients And Caregivers

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# Innovation And Competition Are Keys To Affordable Healthcare

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- Caring for Boomers and The Uninsured Will Require Medical Innovation And A Marketplace In Which Competition Is Maximized
- Innovation And Market Access Equals Better Care And Lower Costs



# Examples Of GPO Practices That Block Innovation And Lower Costs

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- + Supplier-Paid Fees
  - + Sole-Source Contracts
  - + High Commitment Levels
  - + Bundling (Products And Companies)
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= Reduced Innovation And Higher Costs



# Current Policy Statement:

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- Must Be Revised To Address The Economic Realities Of The Current Medical Product Marketplace
- Must Be Revised To Address The Anti-Competitive Impact Of Combining The Safe Harbor With The Most Favored Nations Clause
- Creates A Legal Burden Of Proof For Harm So High That It Cannot Possibly Provide Protection To The Public



# Bundling Limits Competition

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- Imposed At Two Levels
  - Primary- GPO Corporate Level
    - Example: Opportunity Program
  - Secondary- Single Supplier With Market Power
    - Example: Large Multi-Line Supplier
    - Example: Large Multi-Line Supplier With GPO Mandate



# Long Term Sole Source Contracts Limit Competition

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- The Key Is Scale And Scope
  - A Single Hospital Or IDNVersus
  - A Large GPO With Strict Compliance Requirements Across Multiple Geographies



# Can A GPO Have It Both Ways?

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- GPOs Sell Protected Market Share To Dominant Suppliers In Exchange For Fees
- GPOs Claim Hospitals Are Free To Buy From Whomever They Wish
- The GPO Cannot Do Both



# Long Term Impact Of GPO Bundling And Sole Source Contracts

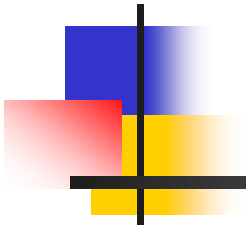
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## **The Tipping Point**

*The Foundation For Healthcare Integrity*



WHY?



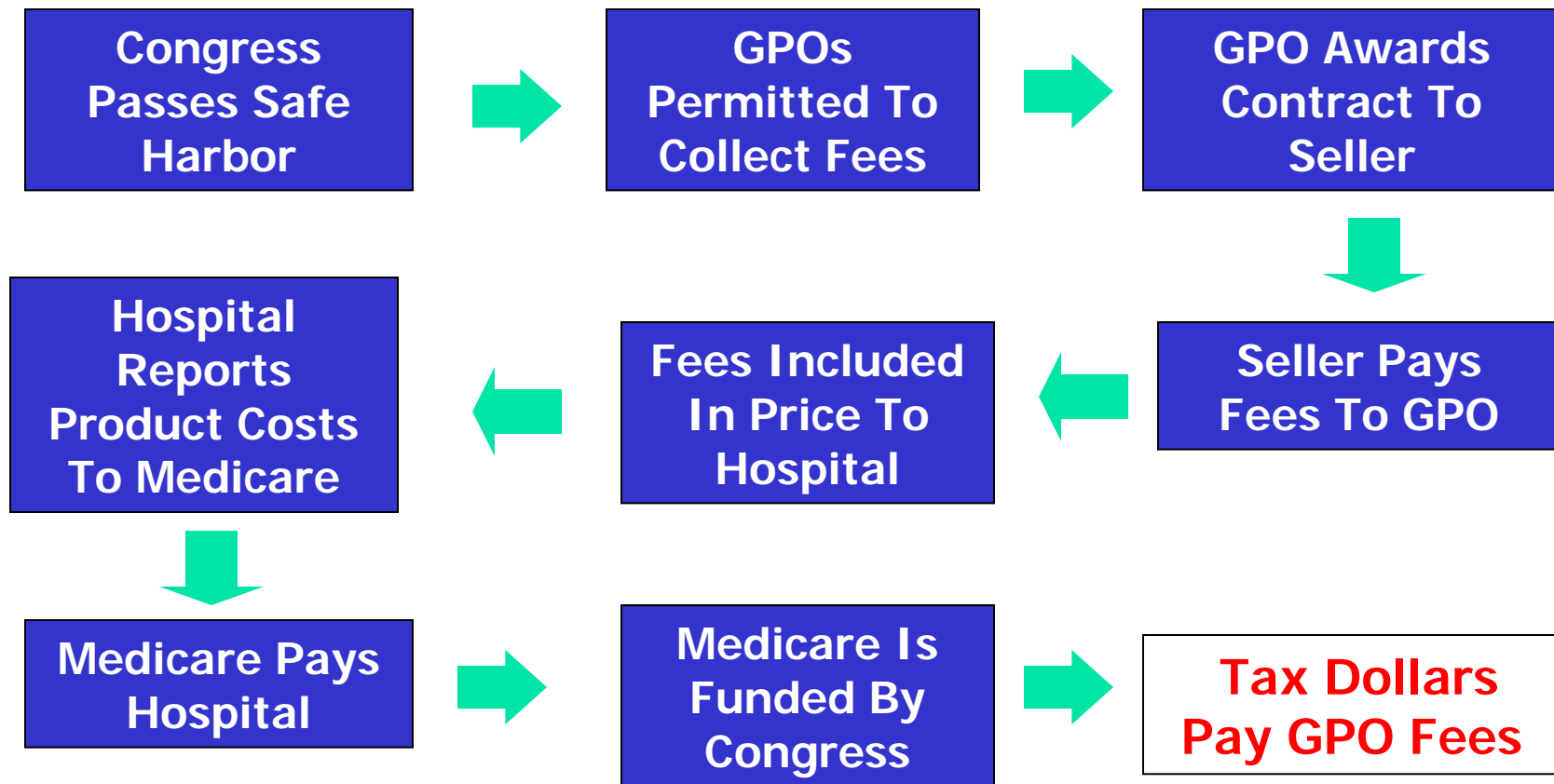


# The Safe Harbor

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- Establishes GPOs As A Taxing Authority Over The Activities Of The Health Care Supply Chain
  - GPOs Demand Fee Revenues Even On Contracts That The GPO Did Not Negotiate

# Who Really Pays The GPO Fees?





# Do Fees Provide A Good Return On Investment For Taxpayers?

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- If GPOs Really Lower Product Prices:
  - Why Are There No Scientific Studies To Prove Cost Savings Claims, Only Opinion Polls?
  - Why Is There Is No Cost Savings Reporting Standard In The Industry?
  - Why Is There More Talk About Fee Revenues And Less Talk About Discounts?



# Are Fees To GPOs Replacing Pricing Discounts To Hospitals?

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- Volume Aggregation Has Given Way To Market Share And Net Prices Have Levelled Out As Many Contracts Are Extended
- Discounts Have Also Been Replaced By Commitment Levels That Come With Financial Penalties For Non-Compliance
- Are GPOs Really Lowering Prices OR Are They Simply Holding The Line On Commodity Pricing For A Fee?



# Medical Innovation Holds The Keys To Affordable Healthcare

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- Caring for Millions Of Aging Baby Boomers and 41 Million Uninsured Will Require Medical Innovation And A Marketplace In Which Competition Is Maximized
- Innovation Plus Market Access Equals Better Care And Lower Costs