

With the changes brought on by healthcare reform, with the availability of “big data” and increasing outcomes transparency, GPOs, now more than ever, have the opportunity to create much more value for their members. In the process, they also have the potential to have even greater influence on suppliers’ decisions.

Recently, one of the two largest GPO companies in the US officially announced their initial public offering. In their press release...”We believe the future for healthcare providers in the United States will require transformational change, due to intense cost pressures, a shifting competitive landscape, a changing regulatory environment, the evolving use of data and analytics and the transition to a fundamentally different payment model.¹”

GPOs are already sizable businesses. According to HCSI there is an estimated \$700+ billion in waste of all kinds in the US healthcare system, there’s a huge business opportunity in reducing supply costs and driving out overall waste².

Our GPO aggregate uses a standard five step process to negotiate contracts.

- Identify Supply Alternatives
- Research Supplier Capabilities
- Evaluate Suppliers Solutions
- Select Suppliers and Negotiate Terms
- Supplier Performance Management

In the past, the GPO aggregator model provided value across the entire sourcing process. However, the real value creation has shifted to ‘select suppliers and negotiate terms’. This is where GPOs use the leverage of its providers to negotiate better pricing with suppliers.

We, along with our GPO aggregator encourage all of our members to remind their supply representatives that we are expecting the BEST possible pricing. We are scrutinizing every order against others of the same to see where the best possibilities exist. Under healthcare reform, where providers are now accountable for costs, outcomes and quality, this is where a real opportunity exists to create value. The evolution of the payment system from paying for activity (fee for service) to paying for value is creating a big opportunity. The opportunity is to use outcomes data and cost

¹ 2015 EDGAR®Online, a division of R.R. Donnelley & Sons Company.

² How Much Waste Is There in the Health Care System? AARP.com November 6, 2013. Accessed June 15, 2015

transparency to direct which specific device or drug works best in different patient populations. This is a movement to evidence and value based sourcing.

We will continue to track our companies to see where the best value lies. The future depends on the best possible outcomes in all areas of healthcare. So, ASK your representative if they are working hard for you and your practice. Let them know that you are holding them accountable, because ultimately it is YOUR responsibility.