

Group Purchasing: Enhanced Value for Long-Term Care

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Many say the future success of any healthcare provider is dependent on their ability to creatively enhance or maintain their services and quality of patient care, while operating on continually shrinking budgets. Tough? Yes. Impossible? No. The right group purchasing program can help healthcare providers do just that.

Group purchasing has been offering discounted purchasing programs for acute care providers for years. More recently, many new group purchasing programs have increased all over the country with a new focus: Long-Term Care. A group purchasing organization (GPO) is an organization or company that aggregates the total purchasing volume of all its members to negotiate unique contract (discount) pricing and terms with manufacturers on the products and services they offer. This allows their members to access the same products and services they have in the past, but at new discount pricing.

If you think it sounds too good to be true, it's not! Most GPOs will not charge a fee for membership, as their revenues are received from manufacturers in the form of administrative fees based upon contract utilization. It is to the GPOs benefit to grow their membership and in turn increase utilization of the contracts within their portfolio, so that its negotiating leverage can be maximized to benefit the overall membership. As a member, you not only have the ability to access the pricing at no cost to join, you also have the ability to help steer your GPO toward the right contracting opportunities. If your GPO is not responsive to your contracting needs, then it may be time to find another.

If you are shopping for a GPO, here are a few things you will want to consider:

- How comprehensive is their contract portfolio? Does it include the variety of product categories that you need at your facility?
- What is the GPOs motivation? Do they truly operate as a member-driven organization or company?
- What are the GPOs terms and conditions? Can you continue to utilize your current wholesalers and distributors?
- What are the GPOs value-added services, legislative services, and customer service standards?

A good GPO will identify your purchasing needs and grow their purchasing portfolio around those needs. Some GPO portfolios cover everything from food service and supplies to office supplies and facility maintenance materials, pharmaceuticals, medical supplies, staffing services and more, while some are much more limited. This can be based on the size and scope of the GPO membership. Certainly, GPOs with a larger membership will have more strength in contracting as they represent a larger total purchasing volume. In addition, a robust portfolio can help minimize the time you spend "shopping" for the best price. If you can research and access your purchasing needs in one central location, you will have more time to spend maintaining and enhancing quality within your facility.

So you like the product portfolio; now what?

Learn about the ownership and management structure and ethical standards of the GPO. You will want to find a GPO that represents you, not other outside interests. Does the GPO belong to the Healthcare Group Purchasing Industry Initiative (HIGPII)? HIGPII is an organization comprised of GPOs dedicated to establishing and promoting ethical GPO business practices and transparency in the market. This can be a strong indicator of the standards of which your GPO holds itself to. If your GPO is not a member of HIGPII, be sure to ask why. As your purchasing agent, your GPO is an extension of your facility and should reflect the ethics and standards of your own organization or facility.

Another piece of information to inquire about is what other markets does your GPO currently service? In healthcare, diversification is key. A GPO that offers services to additional non-acute care providers may be able to present an advantage by understanding how you fit into the healthcare paradigm. This may also present a contracting advantage for the GPO, as with more markets served there are generally more members, which can enable them to negotiate better overall pricing.

Once you establish that your GPO is truly committed to your success, it's time to understand your commitment level to the GPO. The best case scenario would be uninterrupted services with a cost savings advantage. Find out if the GPO requires you to use certain wholesalers and distributors to access their contract pricing. In some cases these requirements may work in the event you are already using preferred vendors, but be careful in the event you need to go outside of the preferred wholesalers or distributors that you have the flexibility with your GPO to do so without losing your pricing. To avoid this from happening, it is a good idea to ask the GPO which wholesalers and distributors they have agreements with and if there is flexibility within the program. There are GPOs that do not have these requirements and will work with as many wholesalers and distributors as needed to help facilitate uninterrupted services for members.

Now that you have established cost savings advantages, commitment to your success in the market, and flexibility in the supply chain, what else should you look for? Historically the group purchasing industry was based solely on contract savings. "How much can I save?" With minimal loyalty, GPO members would opt to belong to multiple GPOs and "cherry pick" product contracts based only on price, but this world is quickly changing. Over the years, much of the pharmaceutical contract pricing has leveled out across the industry with occasional exceptions in the medical/surgical, medical supply, and food service contracting categories. As a result, "cherry picking" can actually cost GPO members more time than its worth in cost savings. Additionally, GPOs are constantly working to expand their portfolios and now offer more comprehensive and robust portfolios than they have in years past, meaning you can usually find everything you need under one portfolio.

Aside from pricing, what differentiates one GPO from another? The answer is easy – value-added services. What additional services does your GPO bring to the table? Value-added services encompass a wide scope of offerings, many of which are complimentary to members. These services include:

- Continuing education
- Advocacy and legislative services
- Professional association affiliations
- Publications and resources

- Technology tools and reporting
- Customer service
- Clinical services

CLINICAL SERVICES & CONTINUING EDUCATION

Serving the healthcare community and contracting for pharmaceutical products, it is important that your GPO provides the clinical services and expertise needed to help enable you to treat patients in your pharmacy or facility. Most clinical services are focused around best practices and enhanced efficiencies in disease state treatments. With that, a robust clinical offering of accredited continuing education for pharmacists and administrators, publications and resources, combined with direct access to licensed clinical pharmacist consultants can truly enhance your GPO experience. It can also ensure that you are getting the most up-to-date information as it relates to your GPOs pharmaceutical portfolio offerings, including therapeutic interchange protocols, disease state management, and pharmaceutical recalls. An experienced pharmacy team can also help you understand formulary requirements and even drug reimbursement models.

Many GPOs offer accredited continuing education, but you should make sure that these offerings are consistent and complimentary features of your membership. The more durable the clinical support team is at your GPO, the more likely they are to provide regular educational programming opportunities and additional clinical resources.

ADVOCACY AND LEGISLATIVE SERVICES & PROFESSIONAL AFFILIATIONS

The implementation of the Medicare Part D program in 2005 was perhaps the most significant change in healthcare over the past 25 years. That, coupled with pricing changes, survey requirements and standardization, and even new DMEPOS requirements continue to change the world of non-acute care providers. Does your GPO have their finger on the pulse of what's happening in Washington DC; are they able to effectively communicate these changes or requirements to their membership; and do they provide the means for their members to voice their concerns on new legislation that can affect their ability to grow and thrive within the communities they serve?

Find out about your GPOs advocacy and legislative programs and take advantage of these unique value-added services. The successes of these types of programs are contingent on the GPO membership's involvement and commitment level. It is imperative that your GPO be actively involved and understands new legislation as it is introduced, as some of the new federal and state requirements include changes in the purchasing models. If your GPO does not have the ability to adapt quickly; access to some of the discounts and rebate programs associated with the purchasing contracts could disappear.

Many GPOs complement advocacy services by actively participating in and supporting legislative initiatives of professional affiliate organizations. If your GPO is doing this, it is a strong indicator that they understand the impact that healthcare legislation has on your business. Ask your GPO which organizations at the federal, state, and local levels they are involved with. Many times this can open more doors for the membership to be actively involved and contribute to the overall legislative efforts.

TECHNOLOGY TOOLS, PUBLICATIONS & RESOURCES

Technology is quickly becoming the cornerstone of success for healthcare providers and the same holds true in purchasing. Aside from offering access to e-newsletters and

online publication resources, your GPO should offer you 24/7 web-based access to portfolio offerings, pricing information, and reporting capabilities. This provides the member with the ability to run trending reports on their purchasing volume, catalog access to the complete portfolio offering, and gives members an alternative way to connect with their GPO.

Take the time to ask your GPO about their technology offerings and capabilities. If they do not offer online tools, are they willing to work with you to create the technology tools you need to enhance your business efficiencies and streamline the purchasing process? It is also a good idea to take a look at your GPO's web site. The web site can answer many of your questions about the GPO and help you identify if the GPO is right for you. In addition to online resources and publications, find out what other publications you may have access to through the GPO. Many GPOs will have their own publications or newsletters that they distribute regularly to their membership with articles that may include a variety of information for business owners and administrators, pharmacists and nursing professionals, purchasing managers, and even dietitians. As an enhancement, some GPOs are also offering continuing education opportunities within their publications as well.

CUSTOMER SERVICE

The last thing you want to hear when you call your GPO is an automated phone line. Find out about the customer service standards of your GPO. Do they provide you with a dedicated customer service representative who can not only manage your account, but familiarize themselves with your business and overall purchasing needs? In addition to providing an account manager, does the GPO offer services at the local or regional level? Larger GPOs will generally assign a regional sales manager to your account. The sales manager will be your first source for new contract announcements and other cost saving opportunities. Periodically, the sales manager should also be available to meet you in person to provide you with more personalized customer service.

CONCLUSION

With cost savings, clinical services, purchasing professionals, supply chain efficiencies, advocacy services, and technology enhancements there is no doubt that GPOs bring value to non-acute care providers. The goal is to find one that is right for you. How do you find out about GPOs? Search Online, ask your colleagues, and watch for GPOs at some of your regional and professional tradeshows. Once you find one that interests you, find out as much as you can about the organization and ask for a basic cost analysis on your current purchasing models. The GPO that is right for you will be able to start here and do so much more.

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