

United States Senate

WASHINGTON, DC 20510

November 9, 2011

The Honorable Jonathan D. Leibowitz
Chairman
Federal Trade Commission
600 Pennsylvania Ave., NW
Washington, DC 20580

Dear Chairman Leibowitz:

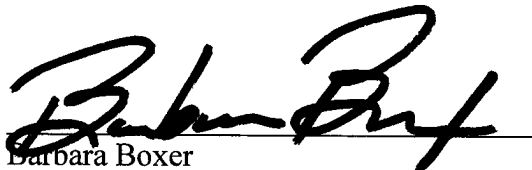
We write to ask that the Federal Trade Commission (FTC) review the impact of hospital group purchasing organizations (GPOs) and their practices as well as manufacturers' contracting practices on competition and innovation with respect to health care delivery. It is important to ensure that the marketplace provides consumers with adequate choices at fair prices, which is achieved through competition and innovation. We believe there are questions surrounding the potential for anticompetitive business practices to threaten the nature of the marketplace.

GPOs play a significant role in shaping the marketplace for products purchased by hospitals. They were initially formed to improve negotiating strength and buying power, and a significant number of hospitals in the U.S. belong to at least one GPO. However, a relatively small number of GPOs appear to be responsible for the vast majority of products purchased by hospitals through GPO contracts. According to the GAO, "in 2007, the six largest GPOs by reported purchasing volume together accounted for almost 90 percent of all hospital purchases nationwide made through GPO contracts," and "[t]he combined purchasing volume of these six GPOs totaled over \$108 billion in 2008."

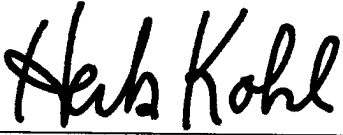
There has been some concern that some administrative practices of the GPOs, with respect to fee structures and exclusive contracting provisions, and lack of transparency of GPOs relationships with hospitals and manufacturers could operate to suppress competition or provide a barrier to marketplace access for new technologies. The GAO report was inconclusive on the question of whether initiatives implemented by the GPOs have resulted in more transparency or improved innovative product selection.

Now is a time for the FTC – an agency charged with protecting consumers and ensuring fair competition in sectors of our economy – to take a fresh look at this issue and review whether hospitals, doctors and, most important, patients, have access to a broad array of innovative products for the best price.

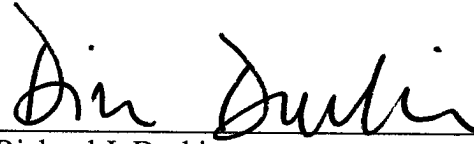
Sincerely,


Barbara Boxer
United States Senator

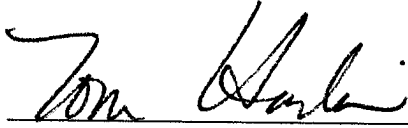

Charles E. Grassley
United States Senator



Herb Kohl
United States Senator



Richard J. Durbin
United States Senator



Tom Harkin
United States Senator