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Premier's IPO Rumors Confirmed –Is MedAssets Being Cast as the Industry's Torch Bearer?

[Thomas Finn](#) - July 22, 2013 6:45 AM | **Categories:** [General News and Commentary](#), [government policy](#), [Healthcare Providers](#), [Intermediaries/GPOs +](#), [Procurement](#), [Supply Chain tool vendors](#)

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It has been confirmed that [The Premier healthcare alliance](#), one of the nation's largest GPOs, is considering an initial public offering (IPO). According to a [Modern Healthcare](#) story that broke late last week, "the confirmation came to light during a testy exchange of letters between Premier and one of its largest competitors, [MedAssets](#)." Among other things, MedAssets accused Premier of using its prospective IPO as a sales tactic to recruit new member hospitals. MedAssets warned that those tactics could violate the nation's anti-kickback laws. But it was just getting started.

For obvious reasons, MedAssets is all over this one, so the rest of the industry might be safe in keeping its ring side seat. For example, MedAssets hired former federal healthcare prosecutor Michael Loucks to evaluate the situation and not surprisingly, his opinion was not favorable to Premier.

As a member-driven enterprise, it is common knowledge that Premier and other GPOs "share back" with their members and owners. In fact, many hospital executives who are part of the Premier alliance have learned to rely on that share back as an integral part of their annual compensation. Premier says that "its existing and long-standing business model which includes member ownership as stockholders, has been described, disclosed and reviewed on more than one occasion to and with the OIG, CMS, HHS, GAO, as well as United States Senators and Congressmen and their staffs." Is it fair to say that Premier's position in its dispute with MedAssets is along the lines of "so what's your point?"

But my recollection of those hearings being referenced by Premier do not conjure a glowing endorsement of GPO industry practice. And that is why MedAssets is correct to warn Premier that its actions could be threatening to the entire industry.

MedAssets is being clever. It recently submitted a business plan similar to what Premier is proposing to the HHS inspector general's office (OIG). It wants the OIG opinion on an arrangement where its members would lock-in their purchase volumes in long-term agreements and accept stock instead of share backs and other types of compensation. According to Modern Healthcare, which obtained the opinion of the OIG (to be released later this week), the OIG concluded that the sale of stock described by MedAssets "could potentially generate prohibited remuneration under the anti-kickback statute and that the OIG could potentially impose administrative sanctions." Such arrangements could also lead to criminal charges, the opinion said, which could "lead to automatic exclusion from federal healthcare programs."

More from the Modern Healthcare article: "GPOs are normally protected under a special provision in the law called a 'safe harbor' that protects the group-purchasing industry from liability for doing what would otherwise be illegal. The safe harbor was set up so Medicare could indirectly benefit from cost-savings. The discounts arranged by GPOs are reported to the CMS and factored into Medicare rates. But under the proposal submitted by MedAssets and evaluated by HHS' OIG, those indirect benefits for payers disappear. 'Unlike a discount, the (stock) remuneration under the proposed arrangement would have no potential to benefit payers, including federal healthcare programs...'"

Without those safe harbors, the current GPO business model would collapse. Protecting them is a full time job and uniting thread for the industry and its trade associations (e.g. HSCA). MedAssets is the only publicly traded GPO, having issued its first round of stock in 2007. However, its owners are not the healthcare providers who purchase their supplies through it, as Premier's are. Nuff said?

The GPO industry has flourished since those Senate hearings that Premier continues to reference in its most recent justifications, despite the fact that those disclosures were delivered inside a precisely different context. In short, if the disclosures made in those hearings are Premier's best current arguments, then don't hold your breath for its IPO.

Source: Modern Healthcare

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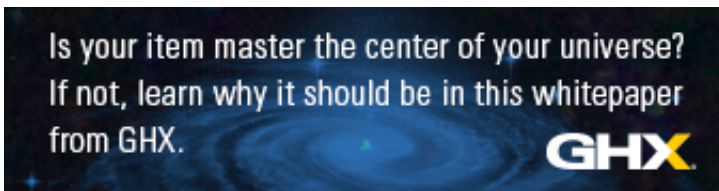
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