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1. Bauchner H, Fontanarosa PB, Flanagin A. Conflicts of interests, authors, and journals: new challenges for a persistent problem. *JAMA*. 2018;320(22):2315-2318. doi:10.1001/jama.2018.17593

Group Purchasing Organizations and Costs

To the Editor Health care group purchasing organizations (GPOs) play an integral role in the health care supply chain by helping hospitals, surgery centers, clinics, long-term care facilities, and other health care organizations source the best products and services at the best value. Unfortunately, I think the Viewpoint by Mr Bruhn and colleagues[1] arrived at flawed conclusions about GPOs.

GPOs are cost-savings partners that help hospitals source lifesaving medical products for the patients they serve. GPOs save the health care system up to $55 billion annually.[2] Independent industry- and nonindustry-funded analyses of GPOs have consistently found that GPOs deliver billions of dollars in cost savings every year to the health care delivery system.[3,4]

Despite the authors' claims regarding vendor fees, GPOs disclose all administrative fees earned on their purchases to members in writing. There are no undisclosed fees that result in better listings in GPO catalogs, and all GPO contracts are voluntary and the product of open competition and evaluation by member clinical advisory committees. GPO cost savings, administrative structure, and business practices have all been thoroughly reviewed by the US Government Accountability Office (GAO), the US Department of Justice, the Federal Trade Commission (FTC), the US Supreme Court, the US Court of Appeals for the Eighth Circuit, academia, and most US hospitals.

The authors suggested a link between GPOs and drug shortages, but stated that "there is limited evidence to support the direct link between GPOs and drug shortages."[1] GPOs work with health care organizations, manufacturers, and distributors to help prevent and mitigate drug shortages. The US Food and Drug Administration (FDA) has repeatedly identified quality control problems, manufacturing issues, and barriers to getting new suppliers on line as the primary causes of drug shortages—not GPOs.

Former FTC chairman Jon Leibowitz and coauthors examined GPOs and found that they operate in a competitive environment and reduce health care costs for patients, hospitals, payers, Medicare and Medicaid, and taxpayers.[5] They also found that repealing the GPO safe harbor exemption would cause both short- and long-term disruptions to the supply chain that could jeopardize the ability of physicians and hospitals to effectively treat patients, and would provide no benefit.

Joining a GPO is completely voluntary and hospitals that become GPO members frequently purchase off contract, yet they continue to choose GPOs to help source lifesaving medical products for the patients they serve.

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Conflict of Interest Disclosures: Mr Ebert reported being the president and CEO of the Healthcare Supply Chain Association, a trade organization for GPOs.

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In Reply We disagree with Mr Ebert, the president and CEO of the GPO trade association Healthcare Supply Chain Association, about the value of GPOs. There is no evidence that GPOs are saving hospitals money or that they save the health care system billions of dollars annually, as he claims. In fact, the US Senate Committee on Finance published a report, requested by Senator Grassley, that stated that there was no independent evidence of GPOs saving the health care system money.[1] Ebert cites a study funded by the Healthcare Supply Chain Association (his reference 2) and another study underwritten by the American Hospital Association and coauthored by Lawton Burns (his reference 3), who is a lobbyist and public relations spokesperson for the GPO industry.

Ebert argues that GPOs make their administrative fees transparent, but it is not public transparency, it is a proprietary disclosure to GPO members only. According to a GAO report, government oversight of GPOs by the Department of Health and Human Services (HHS) Office of Inspector General has been ineffective.[2] Moreover, hospitals may not be financially aligned to rein in excess administrative fees because higher fees translate into higher "share back" payments to hospitals. "Share backs" are the portion of GPO profits paid back to hospitals. Conceptually, administrative fees are similar to drug company kickbacks to pharmacy benefit managers, also known as "rebates" in the industry. Both forms of kickbacks increase costs to patients.

We also take issue with Ebert's assertion that multiple entities, including the GAO, have approved of GPO business practices. Just because a practice is legal does not mean it is approved of. In fact, the GAO has written several highly critical reports on GPO practices, including a report that showed that hospitals can frequently get better prices buying directly from manufacturers.[3]

While empirical evidence is limited on the direct link between GPOs and drug shortages, as we stated in our article,[4]

several authorities have cited the GPO economic model as a driver of these shortages. For instance, in a hearing before the House Committee on Energy and Commerce on September 23, 2011, former HHS Assistant Secretary Howard K. Koh, MD, and FDA Deputy Director Sandra Kweder, MD, concurred that GPOs and pharmacy benefit managers were key contributors to drug shortages.[5] Furthermore, GPOs were identified as a potential "underlying cause" of drug shortages in a 2014 GAO report,[6] adding that quality control and manufacturing problems were secondary issues. Moreover, the study presented by Ebert (his reference 5) claiming that GPOs serve in a competitive environment was sponsored by the Healthcare Supply Chain Association.

Given the high cost of health care, the complex money games that drive up prices need to stop. To get serious about lowering the cost of health care for patients, all kickbacks in health care should be banned, including those disguised as rebates and administrative fees.

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