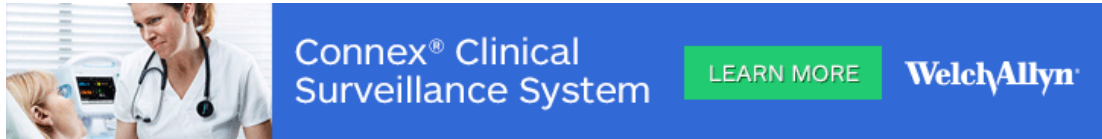


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VITAL SIGNS

Group blames GPOs for generic drug shortages

By [Jaimy Lee](#)

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A small group of healthcare providers took to the op-ed pages of the New York Times to press their case that the business practices of group purchasing organizations are causing drug shortages.

The group, which is called Physicians Against Drug Shortages, is made up of about seven physicians, a pharmacist and a long-time critic of the GPO industry who say their aim is to restore the supply of generic drugs that have had shortages. The group is seeking the repeal of the so-called safe harbor, a provision that exempts GPOs from violating the anti-kickback statute when they retain administrative fees from medical suppliers for negotiating

contracts on behalf of their hospital members.

“The Obama administration and Congress must protect patients by repealing the anti-kickback safe harbor and restoring free-market competition to the hospital purchasing industry,” the physicians wrote in the [Sept. 2 op-ed](#). In January the group made that case in letters to members of Congress and the Obama administration.

GPOs dismiss the campaign as a hit job on the industry. Curtis Rooney, president of the Healthcare Supply Chain Association, a trade group for the largest GPOs in the industry, said that “any attempt to link GPOs to drug shortages is an irresponsible and dangerous distraction. The true cause of drug shortages is manufacturing problems, quality issues and barriers to getting new suppliers online when supply is disrupted.”

Phillip Zweig, executive director of Physicians Against Drug Shortages and a co-author of the op-ed, has been a strident critic of the GPO industry for the past 15 years. He said neither he nor the group has received any outside funding.

There were shortages of 299 drugs in the second quarter of this year, which is the highest number of shortages on a quarterly basis going back to the first quarter of 2010, according to the University of Utah's Drug Information Service.

While the number of new drug shortages is on track to be lower than it was last year, the growing number of active shortages remains a concern for both healthcare providers and patients.

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remains a concern for both healthcare providers and patients.

A range of market forces have been cited as potential causes of drug shortages. Some say the shortages are the result of stepped-up enforcement actions by the [Food and Drug Administration](#). Another argument blames the Medicare Modernization Act, which reduced how much Medicare would pay for certain generic drugs. Manufacturers then have little incentive to continue producing those drugs, many of which are generic oncology treatments, because they lose money.

While some say new legislation may have helped resolve current or potential new shortages, lawmakers and others have started to question how purchasing practices may be a factor.

Many of the drugs in short supply are inexpensive generic injectables sometimes made by only one or two manufacturers. When one or more manufacturer goes offline, it can often lead to a shortage.

The scenario laid out in the Times op-ed goes like this: GPOs generally squeeze manufacturers' margins while lavishly rewarding a few with exclusive contracts, ultimately winnowing the field of suppliers and dampening investment in maintenance and quality control, which in turn leads to temporary plant closings when the FDA shows up.

And that scenario, according to Rooney, makes no sense. "If there is no product, there is no role for the GPO," Rooney said in the statement. "GPOs do not have the ability—nor would it be in our interest—to force manufacturers into contracts that undermine their ability to deliver product."

It's not the first time that the alleged tie between the market structure of GPOs and drug shortages has been made public.

A report released last year by the [House Committee on Oversight and Government Reform](#) cited three factors as causes for drug scarcity, including the market structure of GPOs.

And, in November, House Democrats asked the [Government Accountability Office](#) to look at whether GPO contracting policies are a cause of drug shortages, which have led hospitals to rely on [compounding pharmacies as an alternative source](#) of certain drugs in short supply. According to the op-ed, the GAO will release the report next year.

"As Congress fully investigates all the causes of the tragic meningitis outbreak in an effort to protect patients in the future, we need to look at the role GPOs play in the occurrence of drug shortages that could lead to increased reliance on compounding pharmacies," Sen. Ed Markey, a former member of the House, said last year in a news release. "Increased hospital reliance on compounded drugs should be a result of increased need, not unfair pricing."

Markey's office did not respond to requests about the status of the inquiry.

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