

Letters

GPOs have lost customer focus

To the Editor,

As a very recently departed Chief Purchasing Officer for a medical center in New York state, I read your recent article on the battles of the GPO system with great interest. Only being one month removed from my time in the healthcare provider arena, my interest in the healthcare system continues to be high. The GPO "industry" has clearly lost its focus on the real value it can bring to its members and the healthcare consumer in general. The focus on bringing lower costs, driving standardization and providing a means to drive healthcare industry efficiency has been replaced with efforts to fund major investments, grow GPO fee revenues and fund ventures more important to the GPO than its members.

Although the GPO structure can bring volume leveraging and provide some benefit to smaller hospitals, systems and service providers, the prospect of the major GPOs truly utilizing their buying power has been lost. The simple fact that individual IDNs

can negotiate lower pricing on common/standard products and services than the GPO indicates a real lack of negotiation strategy/ability on the part of the GPO to realize a lower cost process. Likewise, there has been little to no tangible improvement efforts in standardization and in efficiency. Never in conversation did I hear Novation (our GPO service provider) talk about real efforts or accomplishments in instituting bar coding, common nomenclature or other potentially beneficial programs with the supplier community to benefit the members.

The simple fact of introducing a high-cost, low-efficiency middleman in the supply chain of the healthcare industry is counter to sound supply chain management principles and practices. High cost is clear when simply visiting the headquarter operations of Novation or attending their annual conference. These are not low-cost operations or endeavors. That cost introduction into the supply chain is being paid by the members, suppliers and ultimately the healthcare consumer. Likewise, the inefficiency can be seen in the voluminous reporting and poorly planned and executed program efforts

(Neoforma being one of them) that Novation has carried out in the last several years.

Thorough review, questioning and overhaul of the GPO industry/practices is long overdue. The healthcare consumer deserves a better process.

— *G.L. Roach, former GPO/director purchasing and operations
Strong Health/University of Rochester
Rochester, NY*

The price is right

To the Editor,

The reason the Department of Veterans Affairs has better pricing to patients and Medicare is because the government has "best" pricing from all vendors. A not-for-profit organization cannot access the same contracts that the government has. If Medicare wants to see the same charges for all patients, then hospital systems should be able to access government pricing.

— *Connie Henninger, sourcing manager
Premier Health Partners Strategic
Sourcing Division,
Dayton, OH*