

JOHN MCCAIN
JACOBS
CHAIRMAN, COMMITTEE ON COMMERCE,
SCIENCE AND TRANSPORTATION
COMMITTEE ON ARMED SERVICES
COMMITTEE ON INDIAN AFFAIRS

United States Senate

August 17, 1998

Andrew Fojs
Assistant Attorney General
Office of Legislative Affairs
Room 1603
U.S. Department of Justice
Washington, DC 20530

Dear Mr. Fojs:

I have been contacted by several constituents who are concerned about the role of Group Purchasing Organizations (GPO's) in the health care market. Specifically, they are concerned that the current system allows GPO's to monopolize the health care marketplace through exclusionary contracts and unfair trade restrictions.

As you know, GPO's purchase products and services for hospitals and other health institutions participating in their network at costs far below the amount which these institutions could obtain individually. Many view GPO's as a viable tool for reducing private and government health care costs since they enable a group of purchasers to obtain substantial volume discounts on health care products and services.

I have been informed that this practice is having a detrimental effect on companies throughout our country who are unable to solicit business from hospitals or institutions which have an exclusive contract with a GPO. Furthermore, I have been informed that recent mergers and consolidations in the industry resulted in six GPO's controlling about eighty percent of the nation's medical supply buying for acute-care hospitals. I have also been told one company, Premier, now controls the medical purchasing for about one-third of U.S. hospitals.

It is my understanding that in some participating hospitals or institutions must purchase a specified minimum of their supplies from GPO-contracted vendors, often as much as ninety-five percent of their supplies. If they purchase less than the stipulated minimum, they could lose the arranged discounts and be expelled from the GPO.

Finally, concerns have been raised by my constituents that this practice could have serious ramifications on the delivery of patient care as well as jeopardize the safety of medical providers. By removing purchasing decisions from medical providers,

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there is concern that innovation could be stifled, thereby jeopardizing quality and safety for patients and medical professionals.

Based upon these concerns, I request that the Department of Justice conduct a thorough and complete examination of the current business practices of the nation's Group Purchasing Organizations to determine if there have been trade violations including, but not limited to exclusionary restraint of trade or monopolization of a specific market.

Thank you in advance for your prompt attention to this matter.

Sincerely,


John McCain
United States Senator

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