

Statement
United States Senate Committee on the Judiciary
Hospital Group Purchasing: Has the Market Become More Open to Competition?
July 16, 2003

The Honorable Patrick Leahy
United States Senator , Vermont

Statement of Senator Patrick Leahy
at the Senate Antitrust Subcommittee Hearing on
“Hospital Group Purchasing:
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Last April, when the Antitrust Subcommittee held its first hearing on Group Purchasing Organizations, or GPOs, everyone was concerned with the escalating costs of health care. Those concerns have only been exacerbated in the intervening months, in the Senate and across the nation. Efforts to keep the cost of health care as low as possible, while ensuring that the quality of the care is as high as possible, is the Herculean task confronting our nation’s health care providers. GPOs allow hospitals to aggregate their buying power in making purchases from suppliers of medical equipment, pharmaceuticals, and the plethora of more ordinary products necessary for the daily functions of any hospital. The idea is that, by purchasing in bulk, the hospitals should save significant sums, and because the GPOs handle much of the administrative burden of dealing with the suppliers, the hospitals would be relieved of those tasks as well.

The first hearing followed in the wake of press and industry commentary suggesting that there were serious issues we needed to address in the context of GPO purchasing. That hearing provided a real education, for the Judiciary Committee and for the public, allowing us all to learn more about how GPOs work, how they benefit hospitals, and whether there are any changes that could improve their operations. We began the difficult task of addressing complicated issues concerning, among other things: GPO funding structures and purchasing procedures, relationships between GPO employees and the suppliers under GPO contracts, statutory fee limits on administrative fees assessed by GPOS against their member hospitals, accusations that GPOs deny innovative and small manufacturers effective access to member hospitals, and -- perhaps most importantly -- assertions that GPOs do not actually save their member hospitals money.

In addition to providing all of us with a wealth of information, last April's hearing led the two largest GPOs, Premier and Novation, to adopt "codes of conduct." These codes are an attempt to address some of the claims that were explored in that first hearing, and they certainly seem to be a step in the right direction. Today's hearing should allow us to assess the effectiveness of that step, and also determine what other efforts we need to make -- or to demand -- in our on-going project of lowering the cost, and raising the quality, of the healthcare available to our citizens. A robust competitive process should ensure the best possible health care for patients at the most reasonable price.

I look forward to continuing to explore this issue, with the help of the Subcommittee and today's witnesses. I thank Senators Kohl and DeWine for their laudable and bipartisan efforts to ensure that these questions and other important antitrust issues are considered in this forum. Their unflinching cooperation, and their refusal to bow to partisan pettiness in their Subcommittee work, is an example for all of us in the Senate.