

FTC Workshop Presentation

Presented by:

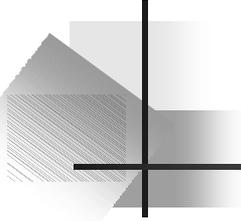
Bruce Clark



Severe financial pressures for health care providers are increasing demand for tools to reduce operational expense

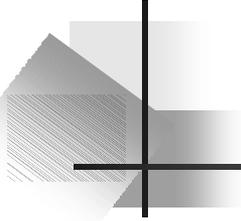
- One third of US community hospitals had negative margins in 2000.
- Sixty percent had negative Medicare margins in 2000.
- Nearly two-thirds lost money on patient care services.
(AHA News Now, Nov. 19, 2001)





GPO's are a tool that enables health care providers to:

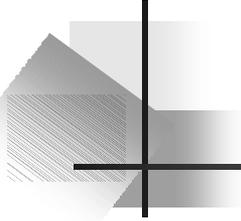
- Aggregate their volume to drive deeper discounts from suppliers.
- Promote competition among suppliers through competitive bidding.
- Improve the quality of goods and services purchased through clinical trials and competition.



GPO processes can benefit both suppliers and health care providers.

- Suppliers' marketing activity and expense can be reduced.
- Health care providers can focus on supply chain efficiencies rather than contract negotiation.
- Transaction costs for all parties can be reduced.

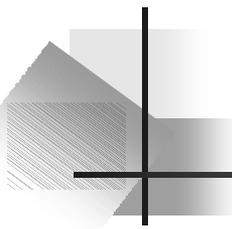




Almost all US hospitals participate in at least one GPO

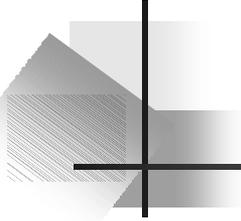
- Up to 98% of hospitals nationally participate GPO's.
(Scott Hensley, The Wall Street Journal Online,
August 25, 2002)





GPO's do not dictate health care providers' vendor selection or purchase patterns:

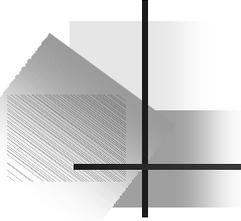
- Providers are free to join GPO(s) that best serve their interests—therefore GPO's must compete for their business.
- Many providers belong to more than one GPO.



Intermountain Health Care's Experience:

- Intermountain Health Care (IHC) belongs to a single GPO—AmeriNet.
- Approximately 85% of IHC's non-equipment purchases go through the GPO.
- In most purchase categories, IHC is able to select between two or more GPO contracts, facilitating choice and competition.

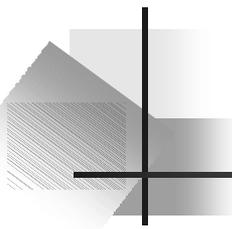




Intermountain Health Care's Experience, cont.

- IHC provides “right of first refusal” to contracted suppliers
- IHC considers non-contract products when contract suppliers fail to meet its clinical criteria.
- IHC clinicians and Care Process Models drive IHC product selection & utilization decisions.
- IHC clinicians have input in GPO product, service and supplier contract decisions.
(Surveys, MMAG, Advisory Board, etc.)





IHC Experience, cont.

- GPO contract savings can exceed best IHC negotiated terms.

Example—Respiratory products, 6% improvement.

- GPO participation can reduce costs and increase quality to the patients and communities we serve.

