

## Group Purchasing Organizations

### What is a Group Purchasing Organization?

In the healthcare context, a Group Purchasing Organization (GPO) is a group of care providers that leverage their collective purchasing power to negotiate discounted prices on services and products with vendors such as pharmaceutical manufacturers and distributors. GPOs are commonly used by hospitals—96-98% use GPOs for purchasing, and 72% of hospital purchases occur through GPOs<sup>i</sup>—and increasingly used by other types of healthcare providers (e.g., home care, long-term care).<sup>ii</sup>

It is estimated that healthcare providers can save an average of 10-18% on products and services by purchasing them through GPOs;<sup>iii</sup> bulk purchasing consortia, which are similar to GPOs, report savings of anywhere from 2% to 60% on pharmaceutical prices.<sup>iv</sup>

### How can jails join GPOs?

Jails that provide medical services to incarcerated individuals in-house are typically able to become GPO members, as are health centers whose employees provide services in jails. However, membership criteria and expectations may vary between GPOs (e.g., some GPOs serve hospitals only), so jail administrators should identify GPOs whose criteria they meet before submitting an application.

Additionally, some GPOs offer free membership and collect fees from vendors to cover the group's operating costs, while others collect fees from their members.<sup>v</sup> Jail administrators interested in using a GPO to purchase medications should consider fee structures, among other factors, when choosing a GPO to join.<sup>vi</sup>

#### **GPO Implementation Spotlight: Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP)**

MMCAP consists of a variety of government facilities that provide healthcare services. Although it is operated by the state of Minnesota, MMCAP has over 5,000 members representing 49 states, the District of Columbia, and some large cities. The group utilizes its purchasing power (i.e., large volume of products purchased by its members) to negotiate reduced prices for pharmaceuticals from manufacturers and wholesalers; this negotiation yields savings of 24% on brand-name drug prices and 65% on generic drug prices for its members. MMCAP charges no membership fees and is open to government-run correctional institutions. For more information, see [MMCAP's website](#).

Discussions with contracted jail medical and mental health providers should include questions about membership and utilization of group purchasing options. In many cases, contracted jail medical/mental health providers purchase medications from distributors such as Diamond, however, unless specified in their contract with a county/jail, they may not be passing on that savings to the county. Contracts should be reviewed to clarify that contracted jail providers be

members of a GPO such as MMCAP, and must charge the county jail for medications purchased at the GPO price. Additionally, it may be necessary to work with MMCAP to understand how medications are packaged and sold to ensure the lowest rate.

Jail contracted providers who are members of a GPO should have a robust formulary. Providers often say they have a limited formulary due to Sheriff Department Policy, especially around narcotics including methadone and buprenorphine. This should be challenged and explored as Medication Assisted Treatment (MAT) is essential to manage opioid withdrawal and treat opioid use disorders. In general, the contracted jail provider formulary should be reviewed and negotiated to ensure medication continuity for persons under their care.

### Other options to explore

Meet with local veteran medical services about coordinating access to medication for verified veterans held in detention or jail. Explore coordination options such as, if a detainee is being held, and is a veteran receiving medical care and prescriptions from the VA, can those medications be brought into the jail. In cases of high cost medical services, explore if the detainee can receive services under the veteran system (similar to a “home detention” model where the sheriff determines “where jail is.”

Similar conversations should be held with local federally qualified health care centers.

In addition, county purchasing entities should check with state purchasing to see if they have GPO memberships. Most likely, there is a GPO steering committee that can help local government understand and access other GPO benefits.

### Process for jails to participate with MMCAP:

- Complete the [MMCAP application and Membership Agreement](#)
- For additional information on MMCAP, please see [MMCAP](#) website

There is no cost to join the Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP).

Benefits for joining include:

- Cost of Goods (COGS) discounts, based on statewide aggregated spend.
- Shareback on MMCAP pharmacy and medical supplies spend, provided directly to each MMCAP Member facility, based on purchases from each of the state’s selected wholesalers.
- Potential medication cost savings and filling services savings for using Prescription Filling Services (Larimer County- 15% savings vs. its direct contract with Diamond Drugs, Inc.)

Recently, the Colorado MMCAP pharmacy team was negotiating its contract with Alkermes, the manufacturer of Vivitrol. I am unsure of the status of that negotiation, but if it was agreed to, that can greatly help cut the cost of Vivitrol in jail.

In addition, some states allow non-profit entities to participate through their MMCAP agreement. Following is Colorado's process:

Criteria for Colorado non-profit entities to participate in State Price Agreements for Health Care Products and Services through the Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP):

- **Eligible Nonprofits are able to certify and purchase from [State Price Agreements](#)**, including pharmacy products, medical supplies, dental products and services, drug testing products & services (includes lab services), and other Health Care Products and Services. (View the link for a list of available spend categories.)
- **Qualified Nonprofits must**
  - Receive Federal, State or Local Government funding
  - Be Registered and in good standing with the Colorado Secretary of State
  - Be Registered with the IRS as a 501(c)3
- **To certify, qualified Nonprofits need to**
  - Complete and submit the [Nonprofit Cooperative Agreement](#) to the State Purchasing and Contracts Office, [Barbara Musick](#)
  - Provide certificate of good standing from the Colorado Secretary of State
  - Provide a copy of the IRS determination letter from the IRS showing the Nonprofit 501(c)3 status
- Once a [Nonprofit Cooperative Agreement](#) has been approved, the Nonprofit is assigned an NP number. Nonprofits can purchase from all State Price Agreements by contacting the supplier identified on the Price Agreement. Contact information from our office is also posted on all Price Agreements. The [State Price Agreement Schedule](#) is a helpful overview of current contracts and their status.
- [Nonprofit Information](#) (presentation)

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<sup>i</sup> Healthcare Supply Chain Association (HSCA). *A Primer on Group Purchasing Organizations: Questions and Answers*. Retrieved from HSCA website: [https://www.hiscionline.org/Files/gpo\\_primer.pdf](https://www.hiscionline.org/Files/gpo_primer.pdf).

<sup>ii</sup> Yang, Y. C., Cheng, H. K., Ding, C., & Li, S. (2017). To join or not to join group purchasing organization: A vendor's decision. *European Journal of Operational Research*, 258(2), 581-589.

<sup>iii</sup> HSCA. *A Primer on Group Purchasing Organizations*.

<sup>iv</sup> National Conference of State Legislatures (NCSL). (2018, May 31). *Pharmaceutical Bulk Purchasing: Multi-state and Inter-agency Plans*. Retrieved from <http://www.ncsl.org/research/health/bulk-purchasing-of-prescription-drugs.aspx>.

<sup>v</sup> UNA. *What is a GPO?* Retrieved from <https://whatisagpo.com/what-group-purchasing-organization/>.

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<sup>vi</sup> Information about MMCAP was retrieved from the following sources: Minnesota Multistate Contracting Alliance for Pharmacy. *About Us*. Retrieved from <http://www.mmd.admin.state.mn.us/mmcap/>; NCSL. (2018, May 31). *Pharmaceutical Bulk Purchasing*; Pew Charitable Trusts. (2017). *Pharmaceuticals*.