How to Take Full Advantage of GPO & IDN Contracts

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LEARNING OBJECTIVES
1. Describe group purchasing organization (GPO) and integrated delivery network (IDN) functions
2. Explain how to use GPO and IDN contracts to improve efficiencies and manage costs in Sterile Processing (SP)
3. Leverage GPO and IDN contracts for added resources

If nothing else, the COVID-19 pandemic taught the healthcare industry about the impact of shortages—with staff, supplies and personnel protective equipment (PPE) seeming to disappear overnight. Predictions of continued unprecedented staff shortages and supply interruptions add to the growing pressure on Sterile Processing (SP) managers to perform more efficiently and reduce costs. Yet, how can SP managers research methods and products to help improve efficiencies when they are busy finding solutions for shortages? One frequently overlooked resource is the services available through a group purchasing organization (GPO) or integrated delivery network (IDN).

Objective 1: Describe GPO and IDN functions

The first GPO for healthcare started in 1910 as the Hospital Bureau of New York. Its goal was to obtain better pricing for healthcare products through negotiation with vendors on behalf of multiple independent healthcare facilities. Since that time, hundreds of GPOs have worked to save thousands of hospitals money. According to a report published in 2018 by the Healthcare Supply Chain Association, healthcare facilities taking part in a GPO saved on average 10 to 18 percent across most spending categories. GPOs typically work nationwide, representing healthcare facilities from several states. Vizient, Premier and HealthTrust are some of the leading GPOs servicing healthcare facilities throughout the U.S.

IDNs are similar to GPOs in that they also negotiate with vendors to form contracts. IDNs, however, are comprised of various facilities that have a common ownership. HCA Healthcare and Kaiser Permanente are examples of IDNs. Commonly, IDNs are also GPO members.

GPOs and IDNs establish contract categories to help ensure fair trade among the various vendors who may be considered for a contract award. The contract design and the number of vendors may vary based on clinical and financial goals and direction from their product committees.

Contracts are not based on price alone. Vendors must prove, to the

satisfaction of the GPO/IDN technical committee, that they and their products meet the specified performance requirements. Similar to a product evaluation at a facility, when a GPO or IDN elects to enter into a contract for a specific product category, a structured trial is conducted at designated facilities and involves various healthcare specialties—including SP, Infection Prevention, Risk Management, Supply Chain, physicians and others—to ensure all aspects of the product and its performance are carefully reviewed and included in the evaluation parameters; these reviews are then measured and compared to determine the contract award(s).

While price is an important component in a GPO or IDN product evaluation, other factors that are commonly considered when making a contract award include staff safety, patient safety, risk reduction, and cost savings (e.g., decreased or more efficient labor, increased productivity, decreased product usage, product compatibility with equipment, etc.). Additional factors that are particularly relevant in today's environment are supply resiliency, location of manufacturing facilities, corporate diversity, sustainability, and original equipment manufacturer (OEM) status.

Cost savings provided by GPOs and IDNs are a primary benefit, but members receive other benefits as well. Data analysis of purchase patterns can reveal opportunities for standardization, benchmarking and inventory management. GPO and IDN groups also actively seek new and innovative technologies and services to vet and offer to members, which may yeild unique benefits that are not available from other vendors in the market.

To distinguish themselves from other groups and incentivize membership, many GPOs and IDNs promote special or unique offerings. For example, Premier offers consultation for converting to value-based care reimbursement. Vizient offers several information technology–based workflow optimization and engagement tools. HealthTrust offers members online access to field experts and special training opportunities.

Objective 2: Explain how to use GPO and IDN contracts to improve efficiencies and manage costs in Sterile Processing

GPO and IDN contracts are designed to help facilities realize short- and long-term savings, while also achieving pre-established clinical standards. In addition to structured pricing for the term of the agreement, GPO and IDN contracts will include pre-established shipping terms, payment terms, delivery requirements, product warranty information, recall/remedy language and other terms that will enable the facility's administration and SP managers to operate in a structured manner versus the traditional order-by-order, transactional manner.

Additionally, based on the design of the GPO or IDN contract, added values may be available to facilities that achieve targeted product usage and/or commitment levels. These added values may include price savings; monthly, quarterly or annual rebates; administrative fee sharebacks paid back to the facility from the GPO; or a combination of these. Lastly, GPO and IDN contracts may also include fixed prices for several years. Although inflation may be rising, price increases are limited or eliminated through the terms of the GPO or IDN contract. This

allows for more accurate budgeting of anticipated expenses.

GPO and IDN order tracing and data analysis can lead to opportunities for standardization on a single consumable item, medical device, piece of equipment or service. Standardization can help prevent staff confusion and reduce user errors. It also gives managers flexibility when addressing short-staff situations, as staff can temporarily transfer between departments or facilities without the need for extensive training on area-specific products and equipment. Many IDNs work with their vendor partners to provide inservice opportunities and usage assessments that can identify and correct non-standard work processes between departments or facilities. A partner vendor audit of multiple facilities and departments may also find opportunities to standardize products and processes.

Vendors with new technologies have the opportunity to approach GPOs and IDNs on a regular basis. Using their technology review boards, GPOs and IDNs can assess the relevance of a new or improved product to its members. Signing up for newsletters about new technologies delivered by a GPO or IDN will alert managers to new advancements or opportunities. SP managers may also tap into their GPO or IDN resources to assess new technologies or products brought to their attention by vendor representatives. If the GPO or IDN has not already assessed the technology, members can request an assessment. This frees time for the SP manager to focus on other activities, and often, the GPO or IDN can supply a more thorough assessment of the technology's performance and financial benefits.

Many GPOs and IDNs have invested in platforms to connect healthcare

professionals to the answers they need. These services provide consulting, online tools and chat functions, and expert advice on many quality improvement activities and infection prevention methods used by SP professionals. Some GPOs and IDNs support online learning portals, coordinate inservices with vendors, and even have education assignment and tracking programs. Leveraging GPO and IDN educational materials can help provide consistent training, establish and assess staff competencies, and fulfill the necessary continuing education credits to maintain staff credentialing requirements.

Some GPOs offer services to analyze and recommend process improvements within SP departments (SPDs). Additional GPO resources for hire can help develop floor plans, optimize workflows and suggest other efficiency-driven processes and recommendations. Such services support SP managers by taking on the research and design planning to achieve needed efficiencies caused by today's shortages.

Objective 3: Leverage GPO and IDN contracts for added resources

SP managers should start leveraging contracts by realizing their maximum cost savings. To ensure the optimal contract value is realized, it is important to understand the GPO or IDN contracts that exist for the healthcare facility. Often, facilities belong to more than one GPO. Managers should reach out to their colleagues in Purchasing or Supply Chain for a list of contracts and the added services and benefits to which the healthcare system is entitled.

Next, managers should determine how each contract is structured and whether there are spend or category targets that can be reached to secure the optimal values from the contract. Often, contracts include tiered pricing breaks. The ability to move to a higher tier with greater cost savings rests in the total spend or commitment level contained in the contract for the contracted items. SP managers should review and identify off-contract purchases and ways to streamline inventory and reduce the number of vendors the SPD interacts with on a daily basis.

It is important, when possible, to convert off-contract purchases to on-contract purchases. Doing so can save on product, shipping and stocking costs. Managers should be cautious when converting items, however, because the contracted item may not always be a perfect fit. It is prudent to evaluate the pros and cons of the new product before switching. For example, switching from one instrument repair service to another could void OEM warranties; however, if the new service provider gives those same warranties, the switch should not have an impact.

Some changes are easier than others. Standardizing a single vendor for all biological indicators may only affect SP, for example, whereas other changes will require advance buy-in from other departments and groups. Standardizing one vendor for all loaned sets would require buy-in from surgeons before the change could be made.

SP managers should ask for a spend analysis from their GPOs or IDNs, because such an analysis may uncover ordering efficiencies that could simplify the process and free up technician and manager time to perform other tasks. Spend analyses can also help identify where errors occurred or when too much inventory is on hand, which may result in items expiring.

It is essential for managers to continue leveraging contracts through their consultative and educational programs and to access clinical education offerings and other resources to assist with department performance initiatives. Relying on GPO and IDN support networks and programs to set up benchmarks and determine best practices is important as is reaching out to these organizations' planning and consultative groups for assessments. Often, these groups can work with vendors to establish a product transition schedule with supported inservices and education.

Contracts are not permanent. They expire and renew, and new vendors or products are commonly added to contracts. Change is inevitable and frequent; regular reviews, therefore, are necessary to continue to optimize GPO and IDN contracts. SP managers should conduct quarterly, semi-annual or annual business reviews with their vendors to ensure full values are being realized from each of the applicable GPO and IDN contracts. They should also request regular, detailed reports from Purchasing or Supply Chain that track departmental contract utilization.

Conclusion

As the volume of surgical procedures, staff shortages and product outages increase, it is essential that SP managers work to identify ways to optimize workflow efficiencies—without jeopardizing quality and safety. GPO and IDN contracts can help streamline product selection, education, and product obsolescence or replacement, while also freeing up time for SP managers to focus on improving departmental efficiencies and patient safety.

RESOURCES
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4. Pruitt, J. "3 Benefits of Working With a Hospital Group Purchasing Organization (GPO)." Community Hospital Corporation (blog). February 7, 2020. https:// communityhospitalcorp.com/working-with- a-hospital-gpo/.