

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

The Honorable Orrin Hatch
United States Senator , Utah

Statement of Chairman Orrin G. Hatch

Before the United States Senate Committee on the Judiciary Subcommittee on Antitrust, Competition and Business and Consumer Rights

Hearing on

“Hospital Group Purchasing:

Has the Market Become More Open to Competition?”

Thank you, Mr. Chairman. I want to thank you and Senator Kohl for holding this hearing, and for your continuing efforts to address a complex and critically important issue to our Nation -- how Group Purchasing Organizations, or “GPOs,” affect the cost and quality of health care in America.

Let me take a moment here to commend specifically the efforts of Chairman DeWine and Ranking Member Kohl, and their staffs, for their tireless efforts in working with the GPO industry to address significant issues identified at the last year’s hearing, particularly with respect to the GPO trade association’s development and implementation of an industry code of conduct.

In addition, I would note that Chairman DeWine and Senator Kohl requested the Government Accounting Office to examine several significant issues relating to GPOs. I understand that the GAO is releasing a report today on some of these important issues. I look forward to reviewing that report as we continue to analyze and monitor GPO performance in the health care industry.

As I indicated at last year’s hearing, there is widespread disagreement among news sources, commentators, economists and industry analysts as to whether the benefits of GPOs outweigh the potential for harm to hospitals, consumers and competition. These issues are complex and require careful analysis. On the one hand, GPOs may in some circumstances reduce the costs to hospitals, consumers and payers of medical care for a range of products, from basic commodities to high-technology medical devices. On the other hand, GPOs may in some circumstances create incentives which improperly exclude more efficient technologies and products from being used by hospitals.

Since last year's hearing, I understand that several GPOs have implemented new ethical codes of conduct. That is a welcome development, and I look forward to hearing today from witnesses about the implementation of these codes and the extent to which GPOs are adhering to these codes.

While much has been accomplished in this area to reform the ethical practices of GPOs, I am still concerned about potential anti-competitive business practices employed to varying degrees by GPOs. In particular, I am troubled by certain practices that may limit competition among small medical device manufacturers through the use of sole source contracting, bundling of products, high commitment contracts, private label programs and the administrative fees involved in GPO contracting decisions.

I look forward to hearing from the witnesses testifying here today, and I hope that they will address these important issues. I want to commend again Chairman DeWine and Senator Kohl for their commitment to this issue. I look forward to continuing to examine these complex issues which are so critical to our Nation's health care system.

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