




GPO AUTHORITY

5 Year Report: Administrative Code Section 21A

Presented to: San Francisco Health Commission

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Presentation Outline

- Group Purchasing Organization (GPO) definition and Authority by San Francisco Administrative Code 21A
 - *SFDPH as a member of Vizient GPO*
- Why Vizient?
- Services Provided through Vizient GPO
- GPO Evaluation
 - *Streamline Process*
 - *Rebate Structure and Amount*
 - *Cost Savings*
 - *Membership Dues*
- Evaluation Conclusion
- Ongoing Monitoring

Administrative Code Section 21A.2.(f)

(f) The Director [of Health] shall evaluate all Healthcare GPO memberships every five years beginning in 2025, and **provide the Health Commission with a report** of such evaluation by January 31, 2025, and by January 31 of every fifth year thereafter to determine which Healthcare GPO membership(s) offer DPH the best value.

Group Purchasing Organization (GPO)

- A GPO is an entity that leverages the collective purchasing power of its members to negotiate and secure discounted or special prices on goods and services
- GPOs are critical for health care and hospital facilities seeking to reduce expenses and achieve operational efficiencies
- Availability and timeliness of products and services are critical for proper care of patients and residents
 - *Availability: Need multiple reliable sources*
 - *Timeliness: Most of the time needed immediately*
- SFDPH has membership in one GPO, Vizient
- SFDPH's contract with Vizient GPO signed on December 1, 2019; and ends December 31, 2028

Why Vizient?

- SFHN conducted an informal solicitation - as allowed by Admin Code - in 2019:
 - *Two GPOs were interviewed and assessed: Vizient and Premier Healthcare Alliance*
- Vizient was selected because it:
 - *Offered higher rebates*
 - *Is a member-owned entity*
 - *Provided a pharmacy program*
 - *Did not charge for its impact standardization service*
 - *Offered Supply Chain efficiencies*
 - *Offered Clinical benchmarking data transparency*
 - *Had the highest number of academic teaching facilities (97% of market) and acute care facilities (67%)*

Services Provided through Vizient GPO

	Service	Used By
1	Supply Analytics Benchmarking	Supply Chain
2	Clinical Database and Resource Management	Quality Teams
3	Academic Medical Centers Networks	Medical and Operational Executives Network
4	Vizient Savings Analyzer - Pharmacy	Pharmacy
5	LHH Clinical Database and Resource Management	Quality teams
6	Catalog Data Services	Supply Chain for Contracts updates
7	Vizient Catalog Services	Supply Chain to load local contracts in Vizient
8	Supply Chain Operations Assessment	Supply Chain
9	WCPC Pharmacy Network	Pharmacy
10	Pharmacy Advisory Assessment	Pharmacy

GPO Evaluation

- Administrative Code 21A.2.(f) does not define “evaluation” or its components
- SFDPH used the following for GPO evaluation:
 - *Streamlined acquisition process*
 - *Rebates*
 - *Cost Savings*

Streamline Acquisition Process

- Streamlined process obtaining goods and services from suppliers who are members of GPO
- Very wide variety of products and services available at pre-negotiated prices – eliminates back and forth price negotiations
- Standardized process for services, equipment and supplies across all SFDPH divisions to reduce redundant efforts
- Dedicated inventory for SFDPH (i.e., reserve inventory)

Rebates Structure

- Vizient will pay a member a percentage (“Rebate Percentage”) of administrative fees reported by suppliers

Tier calculated on annualized quarter value

Per Contract Year	Reported Purchases	Rebate %
January 1, 2020 – December 31, 2028	\$70,000,000 or above	68%
January 1, 2020 – December 31, 2028	\$60,000,000 - \$69,999,999	58%
January 1, 2020 – December 31, 2028	\$0 - \$59,999,999	54%

	2020	2021	2022	2023
Total SFDPH Spend	N/A	\$119,510,217	\$133,704,089	\$159,968,060
SFDPH Rebate %	N/A	68%	68%	68%
SFDPH Rebate - received	N/A	\$1,609,579	\$1,640,792	\$2,045,335
Impact Standardization - received	N/A	\$238,162	\$338,331	\$281,005
Total SFDPH Received from Vizient	N/A	\$1,847,741	\$1,979,123	\$2,326,340

Rebate paid quarterly

Note1: 2020 data wasn't available at time of report, data requested from Vizient

Note 2: Rebates used to abate expenses (12% Nursing, 68% Materials Management, 20% Pharmacy)

Cost Savings

- SFDPH savings achieved by virtue of participating in the GPO – like 97% other similar organization across USA who are members to Vizient.
- Additional savings are achieved by:
 - *Negotiating local agreements within Vizient*
 - *Value Analysis Committees continuously reviews products*
 - *Price Match for Pharmaceutical drugs that can't be purchased on Vizient GPO*
- Example in 2024:
 - *Medline \$900,000 savings*

Membership Dues

- SFDPH pays Vizient GPO fees to be a member
 - *Fees paid annually*
 - *Fees are associated with each service being provided (mentioned in Services Provided slide)*
 - *SFDPH pays no fee for Supply Analytics Benchmarking*

	2020	2021	2022	2023
Total SFDPH Annual Fees	N/A	(\$458,846)	(\$472,501)	(486,536)
Total SFDPH Rebates (from slide 9)	N/A	\$1,847,741	\$1,979,123	\$2,326,340

Evaluation Conclusion

- Taking into account:
 - *Supplier access (including variety)*
 - *Membership costs*
 - *Rebate*
 - *Operational efficiency (e.g., standardization)*

- SFDPH's assessment is that participation in the Vizient GPO has had an overall positive benefit

Ongoing Contract and GPO Monitoring

- Vizient Rebate tier level
- Vizient Suppliers tier level
- Rebates return to SFDPH

Thank You

- Questions?