The Hospital Group Purchasing Organization (GPO) “Pay-to-Play” Kickback Scheme---Consequences:

- Unprecedented Generic Drug Shortages, Resulting in Deadly Meningitis Outbreak
- Patients & Healthcare Workers Denied Access to Lifesaving, Cost-Effective Drugs, Devices and Supplies
- Healthcare Costs Inflated by Tens of Billions Annually*

Vendors pay GPOs
- “Admin” fees $
- Marketing/Advance $
- Rebates/Prebates $(kickbacks) in return for...

...Exclusive contracts:
- Sole source
- Long-term
- Bundles

Partial refund of deliberate overcharge

Anticompetitive GPO practices lock out innovative devices, supplies made by small firms

Congress blocks GPO reform:
- Keep Kickbacks
- No Disclosure
- No Oversight

GPO Cartels
Closed Doors

GPO Member Hospitals

- Patients
- Healthcare workers
- Cost Savings
- Entrepreneurial Device/Drugmakers
- Small Distributors
- Competition
- Innovation
- Jobs

PATIENT
INVOICE
(Retail Billing)

R.I.P

Medicare/Medicaid
(taxpayer-funded)

Slush Funds Golf Junkets
(Vendors Pay for Access)

Campaign $$$

GPO/Hospital Executives
& Directors

2005 HHS Audit: Hospitals often fail to report millions in GPO rebates to Medicare as req’d by law

- Patronage Fees
- Venture Funds
- Stock Options

Big 3 “Authorized” Distributors

- Distributor Fees $
- Inflated prices for goods

Dominant Supply & Device Makers

- Kickbacks
- Maintenance Cuts $
- Contaminated Drugs

Generic Drug Makers

Generic drug industry highly concentrated due to exclusionary GPO contracts

Skyrocketing Drug Prices

Hospital Rx: Empty Shelves

Campaign $$

FDA 483

Maximum Reimbursement

- Patients
- Healthcare workers
- Cost Savings
- Entrepreneurial Device/Drugmakers
- Small Distributors
- Competition
- Innovation
- Jobs

Based on 1/4/12 “Connecting the Dots” white paper by Patricia Earl & Phillip L. Zweig. For paper & documentation on GPO abuses, see www.puncturemovie.com. PLZ rev.11/10/12