Modular questions

Law

Law Number: Module 5 DQ 2 Whether Hospitals Which Engage In GPO Engage In a Form of Price-Fixing Group Purchasing Organizations (GPO) are also known as buying groups, being known as entities that assist healthcare providers like nursing homes, hospitals and home health agencies to accrue more savings, discounts and other forms of efficiencies by aggregating the volume of purchases as a leverage for negotiating more favorable discounts with vendors, distributors and manufacturers. The Health Care Supply Chain Association (HSCA) is one of GPO's most prominent groups among healthcare services providers. Nevertheless, the fact that hospitals engage in GPOs does not automatically mean that they engage in a form of price-fixing.

Intrinsically, price-fixing entails intra-competitors' collusion to: sell products at the same price; apply the same formula when determining the selling price; give the same discounts; desist from lowering prices prior to notifying co-colluders; and to maintain similar price differentials among different order qualities, quantities and types. This is not the case with hospitals in GPOs since GPOs are mainly interested in making more discounts as a way of saving on operational and purchasing costs. This may only lead to improvement in quality services provision (Qiaohai and Schwarz, 2011). Conversely, one can also access resources and information relating to GPOs and their healthcare chain supplies. This is usually not the case with price-fixing organizations which collude to have prices fixed, stabilized, set highly, or discounted. The underhand nature of price-fixing organizations is brought about by the knowledge that price-fixing is a contravention of the federal and state laws.

While price-fixing is illegal, GPOs have been around for almost a hundred

years, meaning that they have been considered as legit.

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It is highly expedient that the proposal be approached with a lot of keenness since its execution can affect greatly, the future of the hospital. The kind of agreement that is being mooted does not capture the fact that other players in the healthcare industry will not be party to the proposal. This may bring about disparity in the physicians' emoluments. The gravity behind this development is that although the artifice may help the hospital save 300, 000 dollars, long-term negative effects will eventually spiral in, as physicians leave for greener pastures. This means that not only will the hospital incur heavier employee turnover, but that the same will also find it difficult to retain physicians.

In respect to the foregoing, it remains necessary that the hospital sets rates that are commensurate to the rest of the market when determining physicians' remunerations and payments for the ED calls; as opposed to the proposal that the two administrators come up with their own standard rates of payment. It will also be expedient to set the remunerations according to the type of ED calls that are involved. It is obvious that the ED calls are of different degrees of training and skills.

The notion of sidestepping physicians' demands may also jeopardize the human resource management (HRM) relations between the hospital and the physicians involved. The situation may culminate into strikes, go-slows and poor services delivery from these physicians. Particularly, the failure to attain quality services delivery from these physicians serves as one of the pitfalls of this kind of single-source contract (Kaldor, 2003). Therefore, it would be most helpful if the physicians' demands are compared with market

rates in the market and the financial status of the hospital.

References

Kaldor, D. K. et al. (2003). “ Evaluating Group Purchasing Organizations.” Healthcare Financial Management, 57 (1), 36.

Qiaohai H. & Schwarz, L. B. (2011). “ Controversial Role of GPOs in Healthcare-Product Supply Chains.” Production & Operations Management, 20 (1), 1-15.