



## The Present and Future Role of Group Purchasing Organizations in Europe

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prospitalia<sup>TM</sup>  
gemeinsam erfolgreich einkaufen



# Prospitalia Profile

## **Leading Group Purchasing Organisation (GPO) in Germany**

Prospitalia negotiates and manages supply agreements for its partner hospitals with the leading suppliers in the market.

Prospitalia is the market leader in Germany with:

- > 700 Medical Institutions including: Acute Care (> 400), Rehabilitation (ca. 150) and Long Term Care Facilities (ca. 150)
- > 135.000 Hospital Beds (>85.000 Acute Care Beds)
- > 350 Contracted Suppliers
- > 500.000 Listed Items
- > 1,1 Billion € Purchasing Volume in 2012 (e)

Prospitalia has subsidiaries in Austria and the Netherlands.



## Prospitalia NL Current Hospitals

Flevo ziekenhuis, Almere

Hofpoort Zuwe ziekenhuis, Woerden

Kennemer Gasthuis, Haarlem

Maasstad ziekenhuis, Rotterdam

Spaarne ziekenhuis, Hoofddorp

Currently negotiating with > 15 further Hospitals in the Netherlands



## Prospitalia NL Current Suppliers

3M Nederland

Allergan

Arion Institutions International

BBraun Medical

Bloomedical

BSN medical

Cook Medical

Intersurgical

KCI

Lohmann & Rauscher

Medeco

Medtronic

Olympus

Smith & Nephew (Woundcare)

Smith & Nephew (Orthopedics & Endoscopy)

Smith Medical

Solid Benelux

Straumann

Teleflex Medical

Terumo



## Prospitalia Services

- Negotiates and Maintains Supply Agreements for it's Partner Hospitals with the Best-of-Class Suppliers in each product catagory
- Executes the required Public EU-Tenders for Products and Services
- Collects and Distributes Market Intelligence within the GPO-Network i.e. Quarterly News Letter, Monthly Update, On-Line Forum and Purchasing Hotline
- Provides and Maintains a proprietary Product, Price and Contract Database (Prospitalia AIS) with Hospital ERP System Integration (Master Data File Exchange)



## Prospitalia Services

- Provides Ongoing Strategic and Operational Support to Hospital Purchasing Departments i.e. Supplier Selection, Purchasing Hotline, Price and Product Matrices, etc.
- Provides Support for Onsite Projects in cooperation with Hospital Administration, Medical Staff and Suppliers i.e. Supplier and Product Portfolio Management, Product and Process Standardization and Public Tenders
- Focuses Purchasing Initiatives on Listed Industry Partners
- Provides value-added services to it's partners i.e. procedure-based cost benchmarking and Best-Practice Networking, regional medical procedure benchmarking (Market Analysis) and Revenue Management Support



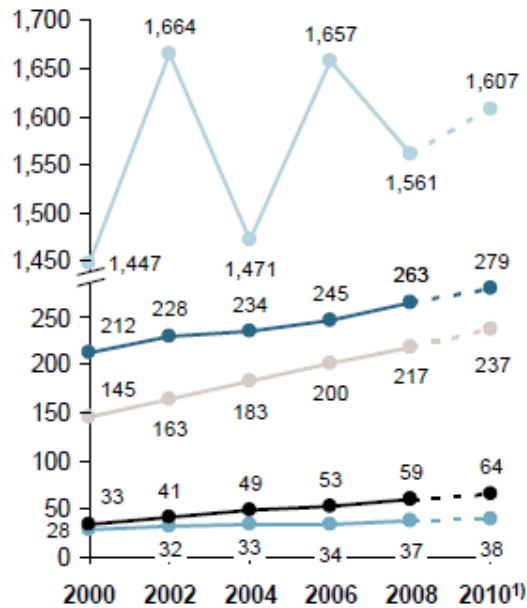
# Healthcare Mega Trends



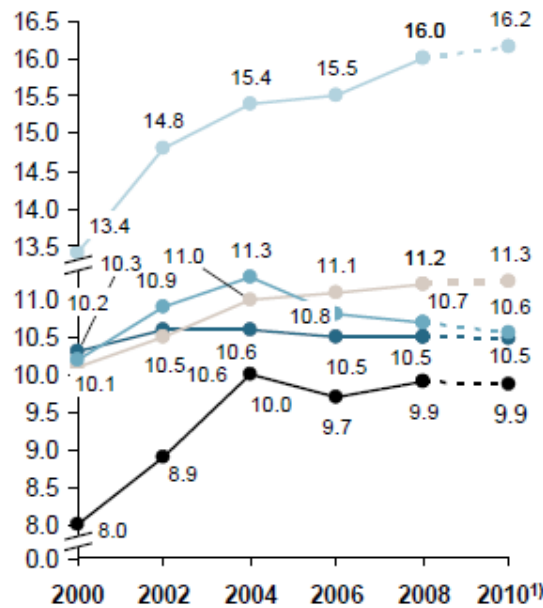
# Continuous Growth of Healthcare Expenditure in Industrial Nations

## Healthcare spend in selected countries 2000-2010

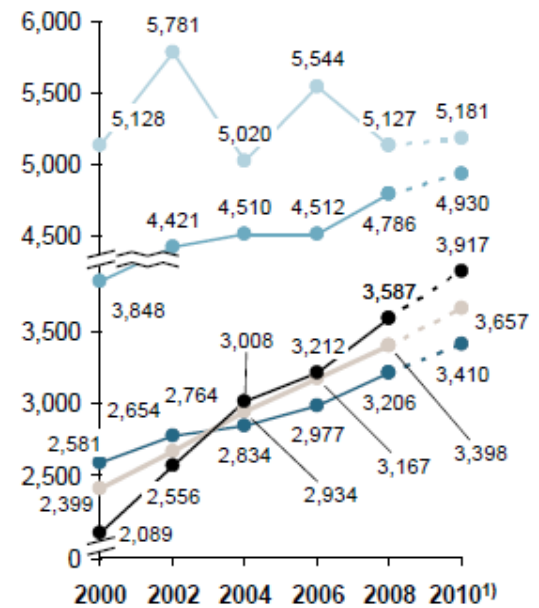
Total Healthcare Spend ( B EUR )



Share of GDP ( % )



Per Capita Expenditure ( EUR )



● Germany   
 ● USA   
 ● France  
 1) Estimate

● CH   
 ● NL

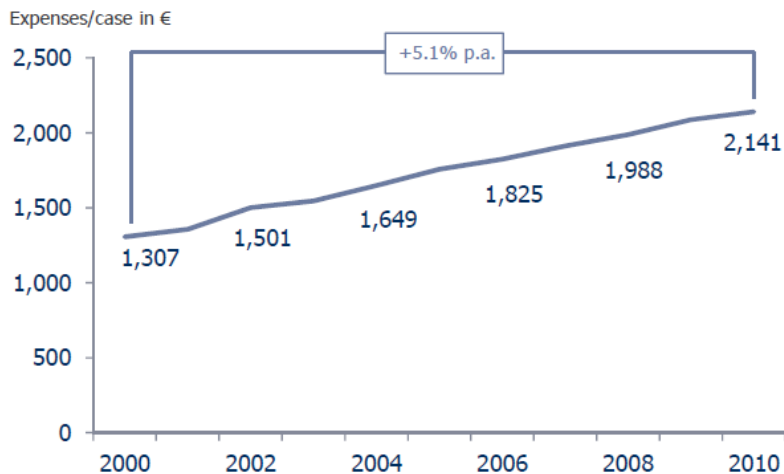
Source: OECD Health Data 2010; Statistisches Bundesamt 2010; Roland Berger



# Hospital Expenses

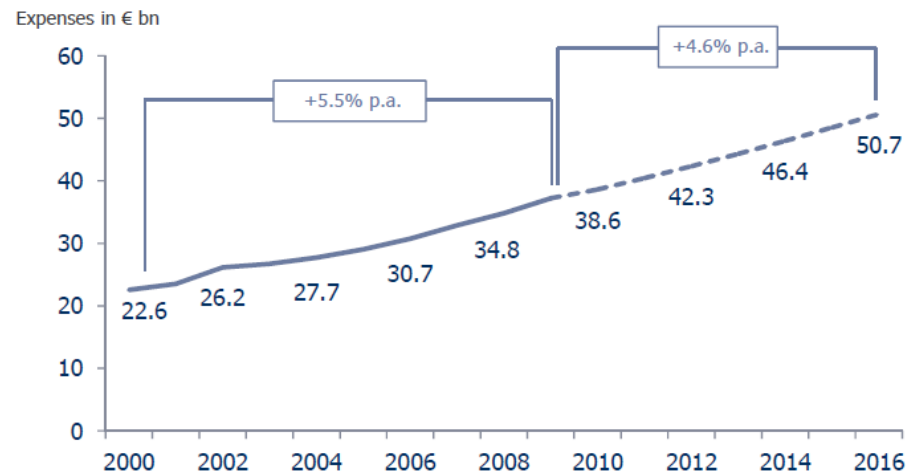
**Non-personnel expenses of hospitals increase by 5% p.a. over the last decade**  
**Resulting from the demographic development and innovation, this trend is expected to continue**

Non-personnel expenses per case



Source: Roland Berger, Destatis

Non-personnel expenses of hospitals in Germany



Source: Roland Berger, Destatis

- **Ageing population** and **price increases** result in more spending on healthcare – outweighing opposing trends such as the population decline, consolidation, privatization, regulation and cost saving measures
- **Price increases are driven by innovation**, as price reductions in standard product groups are more than compensated by price increases in innovative product groups
- **Ageing population:** The annual per capita spending for a person aged 85+ years exceeds €16,000. This compares to c. €2,000 for a person aged 0-64 years



# The Hospital Point of View



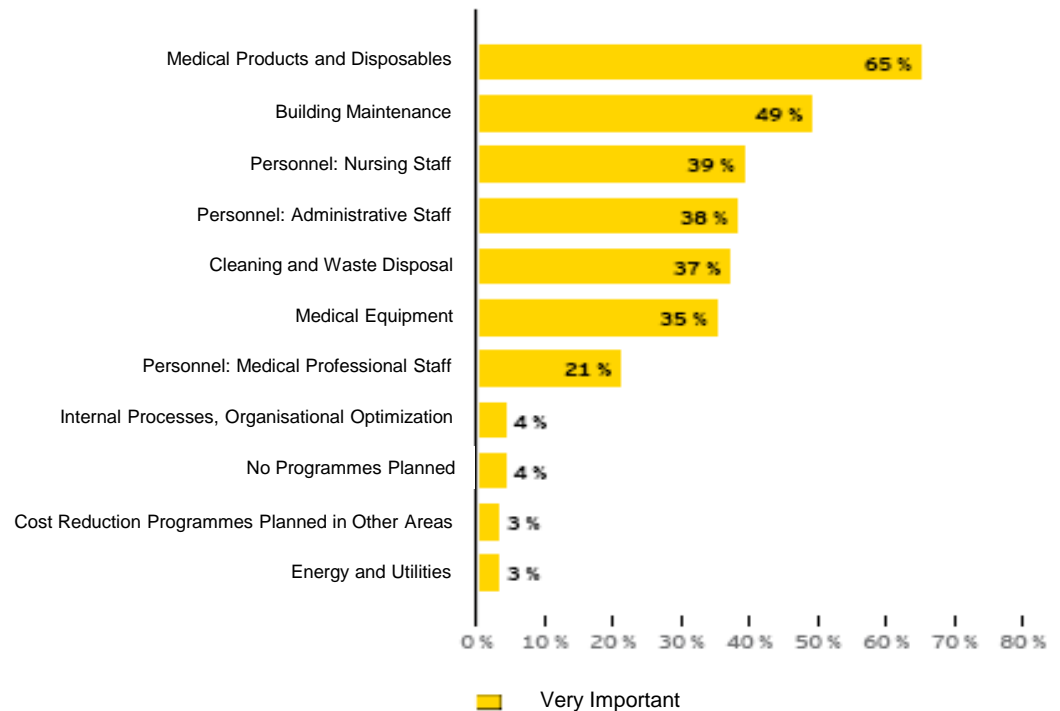
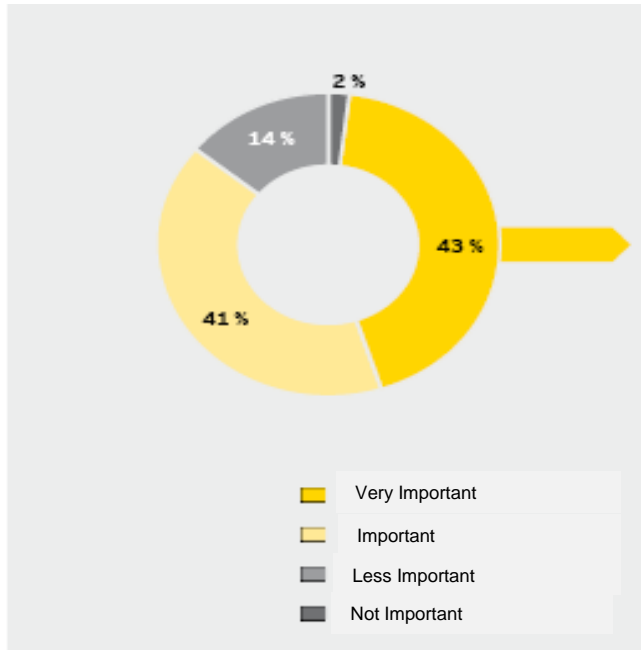
# Mega Trends Effecting Hospitals

- Demographic Trends Causing an Increased Demand for Healthcare
- Decreased Availability of Public Funding Resulting in Extreme Systemic Cost Pressures
- Market Globalisation i.e. Cross Border Purchasing, Patient Tourism and International Competition for Qualified Medical Staff
- Increasingly Acute Lack of Qualified Medical Staff (Professional as well as Nursing Staff)
- Increased Customer (Patient) Requirements
- Consolidation of Both the Hospital and Supplier Side
- Ongoing Healthcare Privatisation and increased Hospital Competition in Local Markets (Referral Doctors)
- Medical Innovation and Short Product Life Cycles as Cost Drivers
- Increasing Influence of Information Technologies i.e. E-Commerce

# Hospitals need to reduce their costs

**How important are cost reduction programmes in your hospital and in which areas are you planning to implement cost reduction programmes?**

## Importance of cost reduction programmes

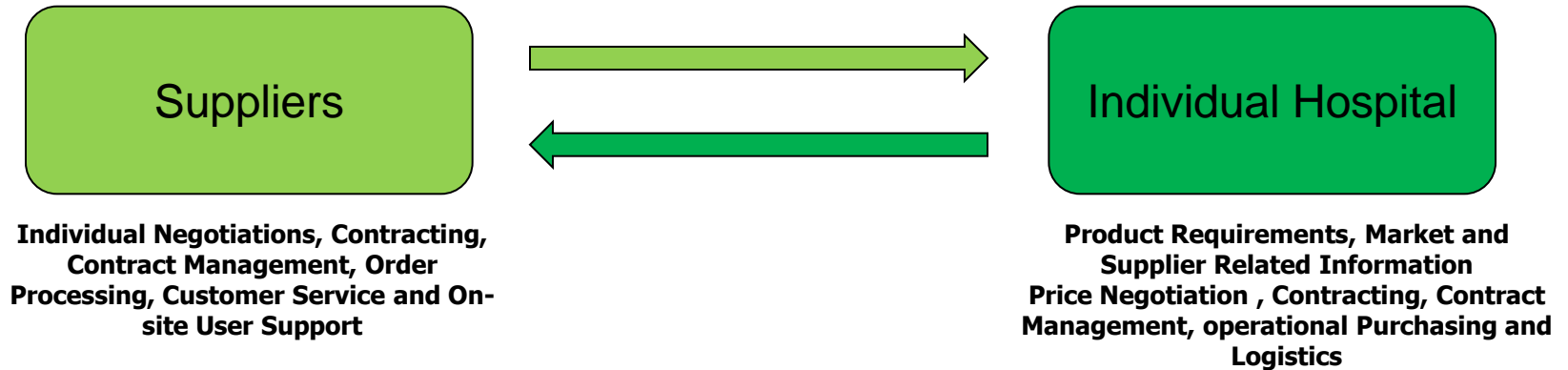


Source : Ernst & Young, 2010



# Hospital Purchasing Models

# Traditional Purchasing Model



# Loose Cooperation Model

Advantage:  
+ Price Comparisons  
+ Workload sharing

Individual Hospital

Suppliers

Individual Hospital

**Individual Negotiations, Contracting,  
Contract Management, Order  
Processing, Customer Service and On-  
site User Support**

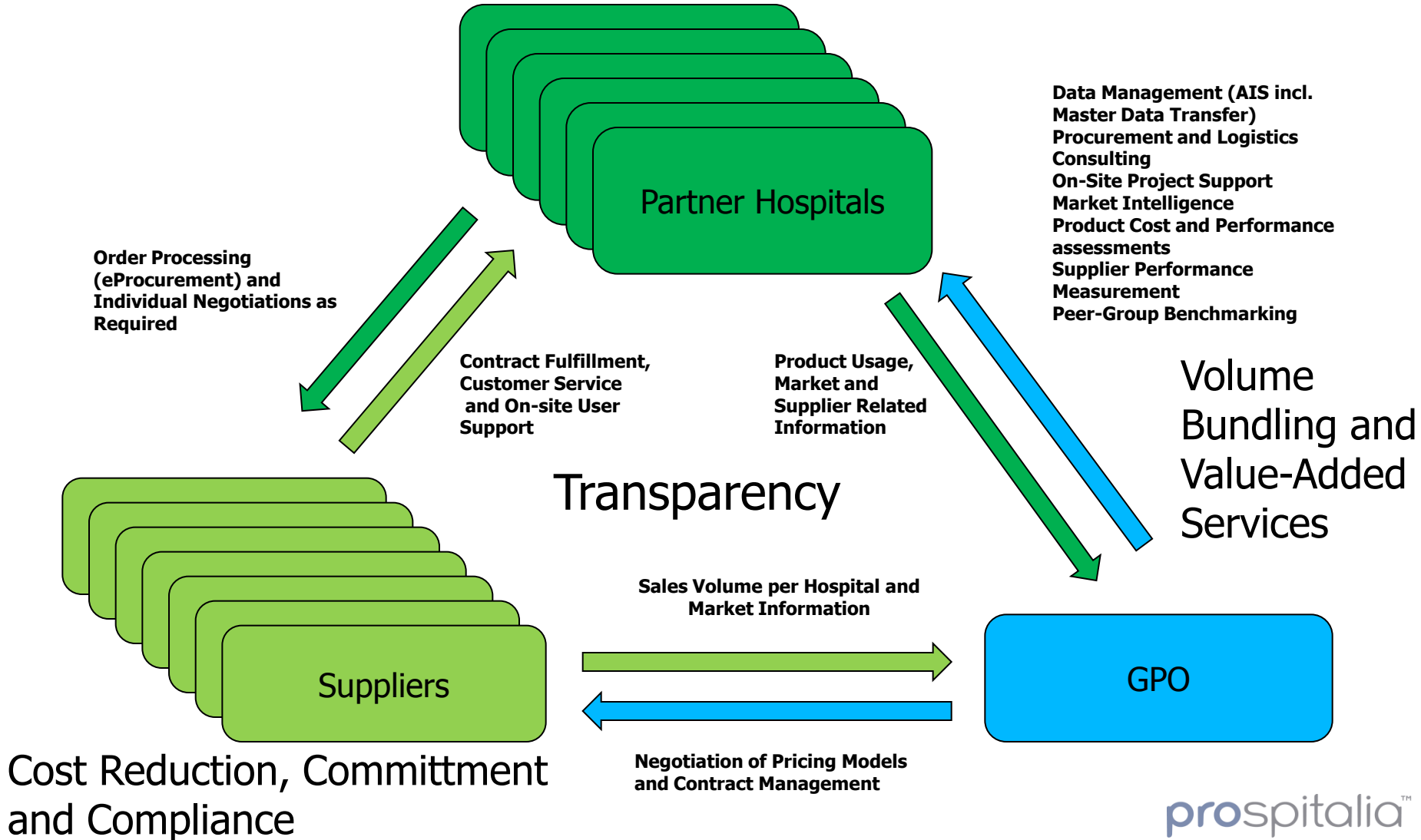
**Product Requirements, Market and  
Supplier Related Information  
Price Negotiation , Contracting, Contract  
Management, operational Purchasing and  
Logistics**

Individual Hospital



# Professional GPO Model

## Critical Mass and Reduction of Process Costs





# Future Developments



## Outlook for the European Hospital Procurement Environment

### **For GPOs...**

- Further Adoption of the GPO Model throughout Europe
- Consolidation of the GPO Market...Development of "Super GPOs"
- Combined Procurement and Logistics Services Provided by GPOs, Logistic Service Providers and Hospital Groups i.e. VMI Models
- Group Contracts involving Risk and Profit Sharing Models between the Market Players i.e. Pay- Per-Use, Cost Capitation Models, Reimbursement-Based Risk Sharing Models and PPP Models (Technology Partnerships)



## Outlook for the European Hospital Procurement Environment

### **For Suppliers...**

- Continued Healthcare Regulation Resulting in ongoing Cost Pressures and Increasing Product and Process Quality Requirements
- Increased importance and awareness of Product Related Costs and Benefits as related to Total Procedure Cost and Reimbursement Models
- Increased Market Transparency through Hospital Procedure Based Peer-Group Benchmarking and Best-Practice Networks
- New Outsourcing Models for Hospitals i.e. Operational Purchasing, Logistics and Revenue Management Services



Thank you for your attention