



July 17, 2009

The Honorable Henry Waxman  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Joe Barton  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Waxman and Ranking Member Barton:

I am writing on behalf of the Health Industry Group Purchasing Association (HIGPA) regarding our concerns about Title V of the “America’s Affordable Health Choices Act of 2009” (H.R. 3200). Our members serve both 340B eligible and non-eligible institutions. Title V of the legislation appears to make changes to the 340B Drug Discount Program that would no longer permit hospitals to use Group Purchasing Organization (GPO) contracts in either the outpatient or inpatient setting. This would eliminate our ability to provide pharmaceutical discounts to these hospitals for their inpatient purchases.

We do not believe that this result was intended by the Committee or Congress. **We respectfully request that clarifying language be added to ensure that these hospitals continue to have appropriate access to GPO negotiated cost savings.** In a recently released report by Dr. Gene Schneller entitled, “The Value of Group Purchasing 2009: Meeting the Needs for Strategic Savings” found that GPOs save the nation’s health care system approximately \$36 billion annually in projected direct price savings. The report by Dr. Schneller, with data collection by Mathematica Research, Inc., demonstrated that GPOs save approximately \$6.8 billion for America’s hospital pharmaceutical costs annually.

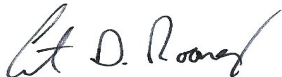
The Health Industry Group Purchasing Association (HIGPA) is a broad-based trade association that represents 16 group purchasing organizations (GPOs), including for-profit and not-for-profit corporations, purchasing groups, associations, multi-hospital systems and healthcare provider alliances. GPOs work by pooling the buying needs of health care providers to help them purchase the best drugs, supplies, services and medical devices for the patients they serve at affordable prices. As such, it is extremely important that GPOs be allowed to continue to bring tremendous value to their 340B-eligible institutions by continuing to help hospitals manage their inpatient pharmaceutical supply costs and, if possible, negotiate even lower discounts for these hospitals.

As you know, Title V would expand the categories of hospitals eligible for 340B program discounts to include, among others, certain rural, sole community providers, critical access hospitals, children's hospitals and Medicare-dependent hospitals. It would also extend 340B discounts beyond outpatient drugs to include inpatient drugs in order to further limit the costs of these purchases by safety net hospitals and the other hospitals eligible for the 340B program. Without including, however, a provision that allows GPOs to continue to provide their valuable services offered to all of their members—including 340B eligible institutions-- hospitals will simply end up paying more for their drugs. HIGPA strongly urges lawmakers to retain the inpatient exemption to the "GPO exclusion" for inpatient drugs. In addition, HIGPA believes that the Health Resources Services Administration (HRSA) prime vendor program should continue to apply to the outpatient market place only.

It should be noted, however, that if the 340B program is expanded to include the inpatient market, how services are provided to these entities should be revisited. To provide services to this extended marketplace, a sole provider of service may not be prudent. In an expanded inpatient market, HIGPA members maintain that all GPO's should be allowed to provide such services to the 340B eligible hospitals. We encourage you to consider that any expansion into the inpatient market, be coupled with a process that allows all GPO's to offer services. We urge Congress to proceed with great caution when it considers expanding the 340B program into the inpatient market to avoid any unintended and unforeseen consequences.

We look forward to working with you and your staff on this important matter. Please contact me if you should have questions at 202.367.1215.

Sincerely,



Curtis Rooney  
President