PhysiciansAgainstDrugShortages

Dear Friends, Colleagues, Patients & Concerned Citizens:

As physicians, we're deeply anguished that millions of our patients are suffering needlessly, and in many cases dying, because of unprecedented chronic shortages of generic prescription drugs. Most are sterile injectable chemotherapies and anesthetics administered in hospitals, outpatient facilities and clinics.

These massive shortages are simply unacceptable in our free market economy. Having thoroughly examined the origins of this public health emergency, we're now convinced that the anticompetitive contracting practices, kickbacks, and other abuses of giant hospital group purchasing organizations (GPOs) are the root cause. This buyers' monopoly, which controls the purchasing of an estimated $250 *billion*+ in goods annually for some 5,000 hospitals, has broken this market by undermining the laws of supply and demand that govern virtually every other U. S. industry, from autos to zucchini. Indeed, it has stifled competition in the *entire* hospital supplies industry.

On Nov. 15, Rep. Ed Markey (D-MA) and five senior House colleagues called on the Government Accountability Office (GAO) to investigate the role of GPOs in the drug shortages and the compounding pharmacy/meningitis tragedy [Letter HERE]. We applaud them for their courage and initiative. Drug shortage legislation enacted last July won't fix this problem, because it's focused on symptoms, not causes. ***Accordingly, we respectfully urge the Obama Administration and Congress to address the role that GPOs have played in this crisis without further delay.***

Rx
- ***RESTORE CRIMINAL PENALTIES FOR GPO KICKBACKS***
- ***REPEAL THE MEDICARE ANTIKICKBACK "SAFE HARBOR" EXEMPTION***

FACTS:

- Incredibly, an obscure federal statute, the 1987 Medicare antikickback "safe harbor" provision, exempted GPOs from criminal prosecution for taking kickbacks from healthcare suppliers. Under this "pay-to-play" arrangement, suppliers buy market share by paying GPOs steep "administrative," marketing and other fees (a/k/a kickbacks) in return for contracts giving their products exclusive access to GPO-member hospitals. This system has dramatically reduced the number of suppliers of vital generic drugs and discouraged potential competitors from entering the marketplace.*

- What's more, these practices have forced many firms to stop making these inexpensive drugs rather than produce them at a loss. They've also crippled the ability of others to maintain their plants, equipment, and quality control, resulting in tainted drugs, adverse FDA inspections, and plant closings.

- It is no coincidence that virtually all of the drugs in short supply are sold to healthcare facilities through GPOs, rather than directly to consumers at retail pharmacies. Many of these drugs had been saving lives for decades---until the GPOs gained a stranglehold over this marketplace.

- The deadly meningitis outbreak, which was caused by contaminated drugs sold by an unregulated compounding pharmacy, the New England Compounding Center, is a direct result of this crisis. Because FDA-regulated generic drug makers stopped making a widely-used steroid pain killer, many providers were forced to buy it from now-shuttered NECC. Ameridose, a sister company that has also been shut down because of quality problems, had contracts with at least three of the largest GPOs.

- Under the GPO system, purchasing agents, ***not*** clinicians, typically decide which drugs, medical devices and supplies physicians can use for their patients. These decisions are based largely on how much kickback revenue these products can generate for the GPOs, ***not*** what is best for patients. Patients and healthcare workers are often denied access to lifesaving, cost-effective goods, from drugs to hip implants, pacemakers, pulse oximeters, safety needles, and countless other products.

- Four Senate Antitrust Subcommittee hearings, federal and state investigations, media exposés, antitrust lawsuits and academic studies have found that GPOs, instead of saving money for hospitals by purchasing in bulk---ostensibly their primary purpose--- actually ***inflate healthcare costs by at least $30 billion a year.*** That's because the "safe harbor" created a perverse incentive in which higher prices for supplies mean more money for GPOs. And thanks to aggressive GPO lobbying and campaign contributions, there is virtually no disclosure, transparency, regulation, or oversight of this powerful, secretive industry. Few, if any, outsiders know where all the billions are going.

- These investigations revealed that many GPO and hospital executives have enriched themselves personally through this system. GPO officials have received stock options in firms they do business with, while hospital execs have gotten "patronage fees" from GPOs and lavish perks from suppliers.

CALL TO ACTION:

JOIN THE FIGHT to end drug shortages. CONTACT your senators and congressmen and tell them to REPEAL the GPO Safe Harbor and STOP GPO kickbacks. Here's how: www.contactingthecongress.org. Please forward flyer & follow us: f twitter

**For documentation on GPO abuses, visit www.physiciansagainstdrugshortages.com. To join us, or for more info: info@physiciansagainstdrugshortages.com or media@physiciansagainstdrugshortages.com.*

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