

# GROUP PURCHASING PAYS DIVIDENDS

*Consorta, a Buyers' Cooperative, Strengthens  
Faith-Based Healthcare Organizations*

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**C**onsorta, a group purchasing organization (GPO) based in Rolling Meadows, IL, has applied collaborative decision making to the acquisition of healthcare supplies. The GPO's shareholders come together to purchase the highest-quality goods and services at the lowest possible price.

Formed in July 1998 from the consolidation of the Catholic Materials Management Alliance, St. Louis, and Sisters of the Sorrowful Mother-Diversified Health Services, Milwaukee, Consorta is owned by 13 Catholic healthcare systems (see **Box**). Its participants are Catholic Charities USA and more than 900 hospitals, extended care facilities, and other healthcare and social service organizations, most of them members of the 13 shareholding systems. (Although Consorta's current participants are Catholic organizations, the GPO welcomes other faith-based and not-for-profit groups.)

## CONSORTA'S SHAREHOLDERS

Consorta is owned by 13 Catholic healthcare systems:

- Ancilla Systems, Hobart, IN
- Ascension Health, St. Louis
- Catholic Health Initiatives, Denver
- Franciscan Health Partnership, Albany, NY
- Holy Cross Health System, South Bend, IN
- Hospital Sisters Health System, Springfield, IL
- Ministry Health Care, Milwaukee
- Provena Health, Frankfort, IL
- Saint Clare's Health Services, Denville, NJ
- St. John Health System, Tulsa, OK
- Sisters of St. Francis Health Services, Mishawaka, IN
- Via Christi Health System, Wichita, KS
- Wheaton Franciscan Services, Wheaton, IL

Only 18 months old, Consorta is already the third-largest healthcare GPO in terms of purchasing volume per facility. This enables it to deliver value comparable to that of purchasing giants such as Premier and Novation.

### THE "SOLE SOURCE" ADVANTAGE

Consorta's guiding philosophy is based on negotiating "sole source" contracts with suppliers whenever possible. This means that the GPO will seek a supplier willing to provide discounts on certain categories of products (e.g., office supplies). However, in cases in which participants would be better served by having a choice of vendors in a product line, Consorta awards the contract to multiple suppliers.

"We welcome all potential suppliers to the table and consider such variables as clinical performance, geographic coverage, and service, as well as price," says John Strong, Consorta's president and CEO. "We find that market leaders are the best choice for certain contracts. But sometimes smaller firms—including those owned by minority members and women—provide the greatest value."

Actual contract decisions are made not by Strong and his staff, but by Consorta's shareholders, each of which has a representative executive on the GPO's Contracts and Programs Committee (see **Box**, p. 19). Based on the committee's direction, Consorta's staff researches and evaluates the various goods and services required by the members. Then, having judged some products to be of greater clinical acceptability and more reasonable price than others, Consorta seeks contracts on those.

### A HIGH COMPLIANCE LEVEL

Consorta's shareholders promise to use its contracts exclusively. As a result, the GPO achieves a

high rate of compliance. ("Compliance" means that participants abide by a GPO's contracts and receive the prices and rebates it negotiates.) This makes GPOs attractive to suppliers.

Consorta's leaders are proud, for example, of achieving 97 percent compliance to a sole source contract for intravenous equipment signed with Abbott Laboratories, Abbott Park, IL. They were able to do this even before the contract went into effect and despite the fact that, in order to use Abbott products, 60 percent of Consorta's participants had to switch brands.

Strong also attributes the high compliance level to the fact that it is Consorta's shareholders who vote on the actual contract awards. "Because our shareholders make our contracting decisions, they 'own' those decisions and are primed to deliver high levels of compliance."

As of August 1999, the GPO had negotiated 102 contracts for goods and services, or 60 percent of the total number of contracts (the contract "portfolio") its leaders plan to award. "We've focused on negotiating contracts in areas where market changes meant we could have the greatest impact," says Strong. By the end of fiscal year 2000, he adds, Consorta hopes to have 80 percent of its portfolio in place.

### RESOURCE MANAGEMENT

This year Consorta launched what it calls a "resource management initiative." The GPO is helping its members save money and increase efficiency through better use of such tools and processes as Web-based benchmarking collaboratives, best-practice models, and clinical and operational pathways. Consorta plans to develop an array of organizational effectiveness services for key contracting areas. "This will allow us to connect contracting initiatives with meaningful outcome and performance indicators in high-cost, clinically sensitive areas," Strong says.

In the area of clinical pharmacy, for example, Consorta is conducting an outcomes study that will help it develop benchmarking criteria and best-practice guidelines in the treatment of community-acquired pneumonia (CAP). The study is tied to the use of a drug called Levofloxacin, which the GPO's pharmacy subcommittee selected as its suggested primary antibiotic for CAP. "This study will allow us to establish a link between the committee's recommendation and outcomes in the clinical setting," says Skip

Robinson, PharmD, Consorta's director of clinical pharmacy. "In fact, we've already had reports from members of significant direct cost savings based on our recommended treatment protocol for CAP."

The GPO is also experimenting with a proprietary Internet-based contracting and communications tool called WINGS. Through it, Consorta's members and associates can access breaking news, updates on contracting issues, the GPO's e-catalog, and links to its staff and suppliers. WINGS offers services for each of Consorta's contracting categories. In the pharmacy category, for instance, it carries information concerning safe practices, drug utilization evaluations, drug recalls, and adverse drug reactions.

### THREE MEASURES OF SUCCESS

In Consorta's first year, it saved its shareholders \$15 on every dollar invested in the GPO. The shareholders also recently received a dividend of \$1.75 for each dollar invested, with 91 percent of the dividend paid in cash. Consorta's leaders expect even greater returns in years to come.

But the GPO has produced two other benefits that are even more important. First, it has brought together healthcare organizations that can trust each other because they share similar values. Second, it has, by strengthening those organizations, helped them improve the health of their communities.

 For more information on Consorta, call 800-342-5333 or visit [www.consorta.com](http://www.consorta.com).

## THE CONTACTS AND PROGRAMS COMMITTEE

Consorta's Contracts and Programs Committee is made up of representatives from each of its shareholder organizations. The committee awards contracts based on the work of its subcommittees, which research and evaluate the goods and services available in a particular healthcare area, looking at clinical quality, price, use, conversion, and product distribution issues. The seven subcommittees are:

- Cardiovascular Services
- Continuum of Care
- Food and Nutrition
- Imaging
- Laboratory
- Operating Room
- Pharmacy