

Statement
United States Senate Committee on the Judiciary
Hospital Group Purchasing: How to Maintain Innovation and Cost Savings
September 14, 2004

The Honorable Patrick Leahy
United States Senator , Vermont

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Ranking Democratic Member, Senate Judiciary Committee
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Today we face the reality that the dramatic rise in health care costs in recent years is not slowing. In fact, we learned just recently that seniors will experience the largest increase in Medicare premiums in the program’s 40-year history. The Bush Administration, presiding over this record increase, has obstructed many of the common sense proposals to bring down health care costs and protect the buying power of seniors’ Social Security benefits. Instead of allowing Medicare to directly negotiate lower drug prices for seniors, or allowing Americans to buy affordable prescriptions from Canada, this Administration has decided that they would rather hand out billions of dollars to entice HMOs into the Medicare program at the expense of American seniors and taxpayers.

Fighting to keep health care costs down while simultaneously ensuring high quality of care is an enormous and challenging task but nonetheless one that can be addressed through responsible leadership. In addition to the proposals I just mentioned, Group Purchasing Organizations, or “GPOs,” were developed as one possible solution to this clear and pressing concern.

This hearing examines the effectiveness of GPOs in bringing us closer to what should be our bottom line: We need a health care system that can keep costs in check while continuing to provide high-quality service, and that ensures that new, effective technologies reach the marketplace. These goals are intimately related -- ensuring that new companies and technologies have access to the marketplace will fuel competition, which will help guarantee that patients have the best possible health care at the lowest possible price.

Recently, questions have been raised about whether GPOs are serving their intended purpose. A GAO study requested by Senators Kohl and DeWine suggested that, in many cases, hospitals did not save money at all as a result of their participation in GPOs. At our last hearing, the Committee heard concerns that GPOs have expanded their original role beyond providing aggregate discounts and into something more like agents for large, multi-product suppliers. This phenomenon – if it is true – could threaten to lock out smaller companies and new technologies, resulting in less competition and less effective medical products and, at the very worst, harm patients.

To their credit, GPOs have not been sitting on the sidelines while the Subcommittee has led our consideration of these issues. The largest GPOs have already adopted

“codes of conduct” in an attempt to address some of the claims raised by this subcommittee. This is a significant step in a good direction, and one that deserves commendation. The last hearing began the difficult task of reviewing the effectiveness of these “codes of conduct” and discussing what other measures GPOs should be encouraged, or required, to take.

I look forward to continuing to explore these issues at today’s hearing, and I want to thank Senators Kohl and DeWine for their laudable and bipartisan efforts to ensure that these and other important antitrust issues are considered in this forum. Their cooperative and productive working relationship shows us that working across party lines should be the rule and not the exception in this Senate. Additionally, I would like to thank the witnesses for taking their time to have this conversation with us today, and I look forward to their testimony.

This afternoon’s hearing marks a technological milestone for the Senate. For the first time, a hearing will be officially broadcast live on the Senate television system with closed captioning that uses the advanced technology of voice-recognition software.

Working with Secretary of the Senate Emily J. Reynolds and with the Committee on Rules, the Judiciary Committee has developed a pilot project that will allow us to study the captioning of committee hearings, offering realtime captioning as a demonstration for the use of Senators and their staff. We are very proud of the Judiciary Committee’s groundbreaking role in testing this new technology.

After the completion of the pilot, we will evaluate the results to help the Senate determine the cost and feasibility of providing real-time captioning for all Senate committee hearings. Our hope is to bring closer the day when hearing-impaired Americans will have access to the legislative process. And at a time when we see barriers being erected all around Washington in the interest of security, we are glad for this opportunity to actually bring down a barrier between the American people and their government.