

Ky. Pediatricians Use GPO to Reduce Costs

BY MARY ELLEN SCHNEIDER

Pediatricians have spent the past several years watching their costs climb as their payments drop or stay flat.

While most national efforts have focused on trying to increase the reimbursement side, the Kentucky chapter of the American Academy of Pediatrics has worked out a group purchasing arrangement aimed at reducing costs on everything from medical supplies and equipment to computer hardware and construction materials.

"We realized that pediatricians out in the state quite often were paying quite a bit for medical supplies and vaccines, and there seemed to be a different pricing structure depending on the size of the practice," said Dr. Rob Revelette, group purchasing chair at the Kentucky chapter of the AAP and the chapter's past president.

The Kentucky chapter's work goes back about 3.5 years, when officials there first started brainstorming about ways to pool the purchasing power of their more than 700 physician members to lower costs for supplies, especially vaccines.

They quickly discovered that even 700 physicians didn't have much leverage when negotiating with large national vendors. So they began investigating national group purchasing organizations, which negotiate prices with preferred vendors for their members.

After a lengthy process of submitting proposals and conducting interviews, the chapter chose to contract with Amerinet, a St. Louis-based group purchasing organization (GPO) that has been around since 1986.

"What we were aiming at was to be able to get a big organization behind us to support our efforts to reduce cost," he said.

"Pediatricians, and all physicians, are really struggling."

It's definitely been a lot of work, but Dr. Revelette said that since signing on with Amerinet about 1.5 years ago, pediatricians are saving money.

In his 10-pediatrician practice in Lexington, Dr. Revelette was able to save about 5% on a recent purchase of computer hardware, and he saved about 20% on medical supplies last year.

He's even saved on vaccines by making small adjustments in his purchases.

Finding a way to bring down vaccine costs has been a big focus of the chapter's group purchasing initiative. One way to do this is through competition.

Amerinet has contracts with three of the top vaccine makers (GlaxoSmithKline, Sanofi Pasteur, and Merck & Co.)

and Dr. Revelette said they are trying to capitalize on that competition to bring down prices on any vaccines for which there is head-to-head competition among the manufacturers.

At the request of the Kentucky chapter, Amerinet also has set up a vaccine calculator: Physicians input the reimbursement they receive for vaccines, and the calculator automatically tabulates where they may be losing money.

Having the calculator means that pediatricians don't have to rely on vaccine sales reps to explain where they can save money, Dr. Revelette said.

The purchasing program is voluntary; so far, about 20-25 practices in the state have elected to sign up.

For physicians who have joined, the program is free and there are no loyalty clauses, which means that the practices can purchase supplies elsewhere if they can get a better

deal. Although the Kentucky chapter itself did have to sign a 3-year contract with Amerinet, there are no costs incurred by the chapter either, Dr. Revelette said.

Physician practices and hospitals sign up as members of Amerinet, but the company earns its money by charging an administrative fee to the vendors for the promotion of their products. That fee is typically 1.5%-3.0%, and Amerinet returns a portion of the fee to the Kentucky AAP chapter.

Those funds go directly to support research and educational initiatives at the chapter, such as efforts to reduce childhood obesity.

Dr. Revelette would not reveal how much money the chapter has received so far, but he said that they hope to double their annual income based on the revenues from Amerinet.

This will help the chapter to fund activities they otherwise wouldn't be able to afford, he said.

Going forward, Dr. Revelette said they hope to fine-tune the model and offer it to other AAP chapters.

The interest is there, he said, but it is a challenge to convince practices to turn away from their current medical suppliers and consider a GPO.

Although Dr. Revelette said he has no intention of pushing the Amerinet product, he said that chapters should consider doing something to help their members.

"Overhead has increased and increased over many years for pediatricians, he said.

"Our goal is to try to cut the cost side of this so that pediatricians are able to sustain their business and maintain the quality of care that they're giving their patients," Dr. Revelette concluded. ■



POLICY & PRACTICE

WANT MORE HEALTH REFORM NEWS?
SUBSCRIBE TO OUR PODCAST — SEARCH
'POLICY & PRACTICE' IN THE iTunes STORE

FDA Won't Cough Up Guidance

The Food and Drug Administration has again delayed its guidance on cough and cold dosing for children aged 2-11 years, at least until December 2010, a spokeswoman said. The agency has been working on new parent and pediatrician guidelines for this population since it held hearings on the issue in fall 2008. More recently, it said it would issue the guidance this June. The agency did not give a reason for the additional delay. The FDA's Web site, www.fda.gov, notes that "the FDA strongly recommends that over-the-counter cough and cold products should not be used for infants and children under 2 years of age because serious and potentially life-threatening side effects could occur." The American Academy of Pediatrics (AAP) supports that recommendation and adds that over-the-counter cough and cold products have not been shown to be effective in children younger than 6 years.

Peds Retract 'Nick' Policy

The American Academy of Pediatrics, under fire for its position on female genital cutting, has withdrawn the statement and reiterated its "strong opposition" to the practice. In April, the journal *Pediatrics* published an AAP statement suggesting that physicians in certain immigrant communities might substitute a pinprick of the clitoral skin for ritual genital cutting in order to satisfy cultural requirements. The statement warned that parents who are denied the less severe procedure in this country might send their daughters elsewhere to get the full procedure or have it done in the United States by someone not medically trained. But the AAP said in its new statement that it does not endorse the practice of offering a "clitoral nick," which is forbidden by federal law. Said AAP President Judith Palfrey, "We retracted that policy because it is important that the world health community understands the AAP is totally opposed to all forms of female genital cutting, both here in the U.S. and anywhere else in the world."

Firms Say They'll Cut Calories

A coalition of food and beverage manufacturers has pledged to collectively trim 1.5 trillion calories from their products by the end of 2015 as part of the effort to curb childhood obesity. The companies, which include cereal makers General Mills, Inc. and the Kellogg Company, candy manufacturers Mars Inc. and the Hershey Company, and soda vendors PepsiCo and the Coca-Cola Company, said they will cut calories by creating lower calorie options, changing recipes, and reducing portion sizes. The coalition member companies also said they

will add nutrients such as fiber and whole grains, along with fruits and vegetables, to their products as part of their commitment to healthier foods. The Robert Wood Johnson Foundation said it will study the coalition's efforts to reduce calories in the marketplace and how those efforts might affect calories consumed by children and adolescents.

FDA to Collaborate With Web Site

The FDA said it will collaborate with the Web site Drugs.com to expand access to the agency's consumer health information, including alerts on emerging safety issues and product recalls. As part of the collaboration, Drugs.com will host a "resource section" featuring FDA consumer articles, videos, and slide shows. The FDA also will put out health information on the Drugs.com mobile phone platform, the agency said. Drugs.com, owned by the New Zealand-based Drugsite Trust, attracts more than 12 million visitors each month. The Web site says it seeks to provide patients with information to better manage their own health care and to reduce medical errors.

Study: Much Groundwater Tainted

More than 20% percent of untreated water samples from 932 public wells across the nation contained at least one contaminant at a concentration of potential health concern, according to a study by the U.S. Geological Survey. Naturally occurring contaminants, such as radon and arsenic, accounted for about three-quarters of the worrisome contaminant concentrations, the federal agency said. Manmade contaminants, including herbicides, insecticides, solvents, disinfection byproducts, nitrates, and chemicals from gasoline, were detected in 64% of the samples, the USGS said, and these manmade chemicals also were detected in treated water at similar concentrations. Most of the contaminants analyzed are not covered by the federal Safe Drinking Water Act, the agency noted.

FDA Drafts Transparency Rules

The Food and Drug Administration's Transparency Task Force has issued 21 draft proposals concerning public disclosure of FDA operations without compromising patents or companies' trade secrets. The FDA said that one of the draft proposals would support research into rare diseases by freeing the agency to discuss that a company has abandoned its application for an orphan drug. Once made public, this information could enable another drug manufacturer to pick up where the first one left off toward a potentially new therapy for a rare disease.

—Jane Anderson