



The Evolution of GPOs in Healthcare Staffing

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This white paper explores the journey of GPOs, their current impact on healthcare services, and the potential future developments that could reshape the industry.

In the complex landscape of healthcare management, **Group Purchasing Organizations (GPOs)** have emerged as pivotal players, evolving from their traditional role in supply chain management to become influential entities in healthcare staffing.

GPOs are organizations that leverage the collective purchasing power of their members to obtain discounts from vendors.

In healthcare, GPOs traditionally focused on pharmaceuticals, medical supplies and equipment, but have since expanded their scope to include various services, including staffing solutions.

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ORIGINS AND EARLY DEVELOPMENT

01 Origins and Early Development

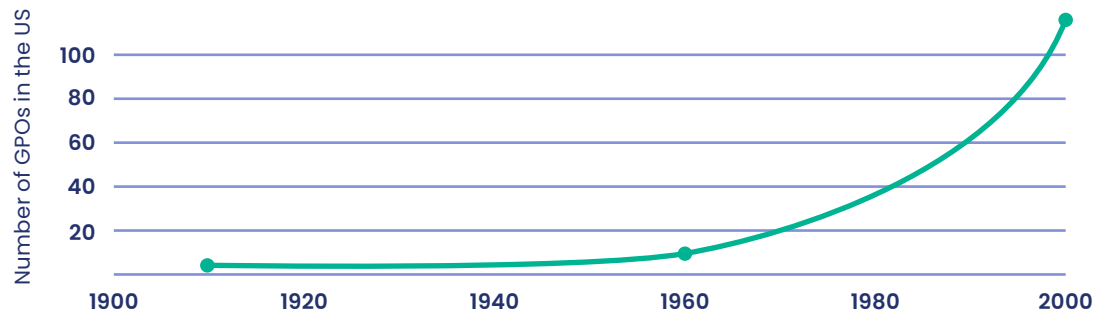
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The history of GPOs in healthcare dates back to the early 20th century. The first hospital GPO, the Hospital Bureau of New York, was established in 1910, when the Hospital Superintendents of New York wanted to establish a purchasing group for laundry services. During the next few decades, the number of GPOs grew slowly, with only 10 operating in the U.S. by 1962. But as the 1970s brought about a sharp rise in healthcare costs and reductions in hospital reimbursements, the number of GPOs quickly began to grow reaching the hundreds by the 2000s^[1].



GPOs initially concentrated on leveraging bulk purchasing power to secure discounts on medical supplies, pharmaceuticals, and equipment. This focus allowed healthcare providers to reduce costs significantly, particularly for smaller hospitals and clinics that couldn't match the purchasing power of larger institutions.

But as the number and influence of GPOs grew in healthcare, they began to adapt their services to meet the changing needs of their partners. This included offering staffing solutions to help healthcare organizations tackle their growing workforce management challenges^[2].

Common services offered by GPOs



Guidance on Regulatory Compliance



Workforce Management Best Practices



Market Analysis

Beyond staffing, some GPOs further evolved to offer advisory services to their members. These services included providing market analysis, best practices in workforce management, and guidance on regulatory compliance. This expansion allowed GPOs to position themselves as strategic partners rather than mere procurement intermediaries^[3].

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CURRENT ROLE IN HEALTHCARE STAFFING

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The value proposition of GPOs differs significantly between supply chain management and staffing services. Understanding these differences is crucial for healthcare organizations to maximize the benefits of their GPO partnerships.

Supply Chain

In supply chain management, GPO benefits are often clear-cut and easily quantifiable. For example, a GPO might secure a 10% discount on medical equipment, resulting in a direct cost saving of \$100 on a \$1,000 purchase.

Labor

The benefits in staffing services are generally less tangible and more complex to measure. While GPOs can help streamline the hiring process and potentially reduce staffing costs, their value is often realized through improved efficiency, better quality of hires, and reduced administrative burden, rather than direct cost savings.

GPO Healthcare Staffing Process

1. Contract Setup

- ☑ GPO issues RFP
- ☑ Vendors submit proposals
- ☑ Contract negotiation
- ☑ Set admin fees

2. Transaction Process

- ☑ Healthcare facility
- ☑ Staffing vendor
- ☑ GPO

3. Compliance & Disclosure

- ☑ Membership agreements
- ☑ Annual fee reports

How GPOs Help Healthcare Organizations

Cost Savings

The main function of any GPO is to save their members money by grouping their purchasing power. In healthcare specifically, the Healthcare Supply Chain Association (HSCA) reports that GPOs save their members an average of 13.1% across most expense categories totaling \$456.6 billion in savings through 2026^[4].

Competition Increase

GPOs and their members operate in a voluntary environment, meaning health systems are free to work with as many or as few GPOs as they choose. According to the HSCA, this flexibility drives competition and benefits the entire healthcare system at large^[5].

Innovation

GPOs utilize their large networks of health systems and physicians to identify and evaluate new healthcare staffing technologies and strategies. This community of knowledge approach helps foster innovations based on rising trends in the industry.

GPOs have developed advisory divisions to introduce innovative ways to create further efficiencies for hospitals. These advisory services go beyond traditional staffing and procurement roles, offering strategic insights and solutions to help healthcare organizations optimize their operations and adapt to changing industry demands.

Market Share

GPOs have a significant presence in the healthcare market due to their vital role in helping organizations save money and operate more efficiently. According to the HSCA, between 96% to 98% of U.S. hospitals utilize GPO contracts and the average hospital works with 2 to 4 GPOs^[6]. As a result of this strong presence, an industry market analysis conducted by Technavio notes the GPO industry is estimated to grow by 5.6% from 2024–2028, translating into a \$2.05 billion increase in the GPO market size^[7].

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Key Functions

There are several roles GPOs currently play in healthcare staffing, including:



Running the RFP Process

GPOs play a crucial role in managing the Request for Proposal (RFP) process for healthcare organizations seeking staffing solutions. They help define requirements, evaluate proposals, and negotiate terms with potential vendors.



Guiding the Selection of an MSP

Many GPOs assist in selecting Managed Service Providers (MSPs) for healthcare staffing. They leverage their industry knowledge and relationships to help healthcare organizations find the most suitable MSP for their needs.



Additional Support

Modern GPOs offer a range of services beyond traditional staffing, including trend reporting, workforce analytics, compliance management, and technology integration support.

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As the healthcare industry continues to evolve, GPOs are likely to adapt and expand their role in staffing services. Several trends are emerging that could shape the future of GPOs in healthcare staffing:

Expanded GPO Incentives

GPOs may develop more sophisticated incentive structures to align their interests more closely with those of healthcare providers. This could include performance-based fees tied to staffing quality metrics or cost savings achievements.

Multiple Preferred Solutions

Rather than recommending a single preferred staffing solution, GPOs may move towards offering a curated selection of options. This approach would provide healthcare organizations with more choice while still benefiting from the GPO's vetting process.



AI and Machine Learning in Staffing

GPOs are likely to adopt advanced technologies like artificial intelligence and machine learning -these technologies could be used to enhance candidate matching, predict staffing needs, and optimize workforce management strategies.

Expansion into New Healthcare Sectors

As healthcare delivery models evolve, GPOs may expand their staffing services into emerging sectors such as telemedicine, outpatient services, and home healthcare.

Service Enhancements for Diverse Needs

The needs of healthcare facilities of different sizes can be vastly different. To help balance the needs of large organizations with those of smaller rural ones, GPOs may need to enhance their services to provide varying levels of support based on demands.

Potential Regulatory Changes

The healthcare staffing industry, including the role of GPOs, may face increased regulatory scrutiny due to the rapid shifts in the sector.

Expansion into New Healthcare Sectors



Telemedicine



Specialized outpatient services



Home healthcare

Potential Regulatory Changes



Conflict of interest policies



Data privacy in workforce management



Transparency in fee structures



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Characteristics of a Strong GPO Partnership

To fully realize the benefits of working with a GPO it is vital to build a strong partnership. There are several elements associated with a successful GPO partnership, including:



Transparency

Both parties should be open about their processes, fees, and relationships with vendors.



Alignment of Goals

The GPO's objectives should align with the healthcare organization's staffing needs and long-term strategies.



Continuous Communication

Regular dialogue ensures that the GPO remains responsive to the organization's evolving needs.



Performance Metrics

A strong partnership requires clear, agreed-upon metrics to measure the GPO's performance and value contribution.



Flexibility

Being able to adapt to changing market conditions and organizational requirements is vital to building a successful GPO partnership.



How to Pick a GPO

To help guide your decision about which GPO to work with, healthcare organizations should engage in open dialogue and ask pertinent questions:

Do you have a preferred provider? Do they get a fee?

Understanding the GPO's relationships with staffing providers is crucial. If there are preferred providers, it's important to know if they pay fees to the GPO, which could influence recommendations.

Do they offer a list of their members?

Knowing the GPO's membership can provide insights into their experience and reach in the healthcare staffing sector.

Do they advocate for multiple member groups?

A GPO that represents diverse healthcare organizations may have a broader perspective and more balanced approach.

Are there incentives for the GPO if one MSP is selected over the other?

This question helps uncover potential conflicts of interest that could affect the GPO's recommendations.

How do you ensure transparency in your preferred partner process?

The GPO should have clear processes for selecting and recommending partners, with safeguards against bias.

What specific value-add services do you offer beyond vendor selection?

Understanding the full range of services can help healthcare organizations maximize the value of their GPO partnership.

How do they impose fees on legacy customer relationships?

This question is particularly relevant for organizations with existing staffing relationships, to understand how the GPO might affect these arrangements.

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Be Aware of Conflicts of Interest

It's important to note that the staffing industry presents potential conflicts of interest for GPOs. Some GPOs may have financial relationships with certain staffing agencies or MSPs, which could influence their recommendations.

Healthcare organizations must be aware of these potential conflicts and ensure their GPO is being transparent about its MSP or staffing agency relationships.

GPOs have come a long way from their origins in supply chain management to become significant players in healthcare staffing. Their evolution reflects the changing needs of healthcare organizations and the increasing complexity of workforce management in the sector.

For healthcare organizations, partnering with a GPO can offer numerous benefits in staffing, from cost savings and streamlined vendor management to access to market insights and best practices. However, realizing these benefits requires careful consideration when selecting a GPO partner, and ongoing engagement to ensure alignment of goals and transparency of operations.

Looking to the future, GPOs are poised to play an even more integral role in healthcare staffing. As they incorporate new technologies and expand their service offerings, GPOs have the potential to drive innovation in workforce management and help healthcare organizations navigate the challenges of an ever-changing labor market.

By taking a strategic approach to GPO partnerships, healthcare organizations can leverage these relationships to enhance their staffing processes, improve workforce quality, and ultimately deliver better patient care.



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