

GROUP PURCHASING

DESCRIPTION

- "Group purchasing" refers to a process in which an organization with expertise in negotiating best pricing for specified products and/or services of defined quality, provides contracts resulting from these negotiations to a set of participating colleges and universities.

CURRENT EXAMPLES

The group purchasing model was developed to a high degree of sophistication by public and private hospitals in the United States over the past twenty years. This model is now utilized by over 85% of the nation's hospitals. The negotiating is conducted by group purchasing organizations (GPO's) which in turn provide the resulting contracts for products and services to participating hospitals. The GPO's function not as vendors or wholesale outlets but as partners with the participating hospitals so that best pricing and services from vendors are obtained.

Through the leadership of the Speaker of the General Assembly of Tennessee, that state has enacted legislation authorizing the institutions of higher education in Tennessee to purchase goods and services through a group purchasing program.

More than 20 independent colleges and universities in California have joined a Group Purchasing initiative. This initiative includes the following goods and services: furniture and furnishings, floor coverings, information technology, janitorial/sanitation supplies and equipment, office equipment and services, telecommunications, and waste services.

Nationally, it is estimated that 250 colleges and universities in 20 states are participating with the largest GPO (Horizon Resource Group of Brentwood, Tennessee.)

GENERAL FUND IMPACT

Institutions should achieve considerable savings with these contracts, and the savings should be redirected to other institutional operations like instruction

and student services. Representatives of the Horizon Resource Group estimate that if all of California's public community colleges and universities utilized group purchasing for 10% of their related purchases, the savings would be \$26 million each year.

STATE POLICY PRIORITIES

Contracting with GPO's should be an option for the public colleges and universities in California, as currently exists for hospitals in California. However these contracts should not require of participating institutions:

1. A fee for the GPO service;
2. Special purchasing software;
3. Centralized purchasing by the institution, its board, or governing system staff;
4. Formal cooperation with other institutions regarding items to be purchased, timing of purchases, volume of purchases, etc;
5. Purchasing in bulk quantities, or
6. Exclusive commitments to utilize contracts arranged by the GPO.