

LEGISLATIVE DIGEST

[Administrative Code - Public Health Group Purchasing Organizations]

Ordinance amending the Administrative Code to authorize the Department of Public Health to become a member of any Healthcare Group Purchasing Organization (GPO) and to enter into contracts with Healthcare GPO suppliers and distributors to purchase commodities and services without requiring competitive bidding and without approval of the City Purchaser.

Existing Law

Currently, Article 21A of the Administrative Code authorizes the Department of Public Health (“DPH”) to join Group Purchasing Organizations (“GPOs”) to obtain discounts on goods and materials. GPOs are entities that leverage the purchasing power of institutions to obtain discounts on goods and services from suppliers. Under the authority of Article 21A, DPH may participate in GPO purchasing programs and enter into contracts with GPO suppliers that are selected by the GPO through a competitive bidding process. Article 21A currently provides that contracts entered into under the authority of Article 21A shall be governed by the GPO’s standard terms and conditions.

Amendments to Current Law

The proposed ordinance would authorize DPH to become a member of one or more Healthcare GPO. Healthcare GPOs leverage the purchasing power of healthcare institutions. The proposed ordinance would authorize DPH to use all programs and services offered to members of a Healthcare GPO in which it is a member, and would allow DPH to enter into pricing commitments, operating lease agreements, and finance agreements, with GPO suppliers and/or their financing entities, for the acquisition, lease, or financing for equipment, on behalf of the City with suppliers of commodities, information technology products and related services, equipment maintenance, and services.

The proposed ordinance would authorize DPH to enter into contracts with a Healthcare GPO or its suppliers without engaging in a competitive procurement and without approval by the City Purchaser. It would also authorize DPH to purchase all goods and supplies offered by a supplier that is under contract with a Healthcare GPO regardless of whether those items were competitively procured by the Healthcare GPO.

The proposed ordinance clarifies that all contracts executed under the authority of Article 21A are subject to all of the requirements of the Charter and Article 21 (except for the requirement to adhere to competitive procurement requirements), and would eliminate the requirement that GPO contracts be governed by the GPO’s standard terms and conditions.

Background Information

Healthcare GPOs obtain cost savings by pooling their members' purchasing power and negotiating lower prices from their participating vendors. Healthcare GPOs also provide their members with cost savings by conducting a competitive bidding process for some – though not all – of the goods and services offered by their suppliers. Membership in Healthcare GPOs allows DPH to employ a streamlined process for procuring goods and services, thereby reducing administrative burdens, facilitating improved quality of care, and saving DPH millions of dollars each fiscal year.

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