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Buying Groups: Prosperity In Numbers

by **Roberta Domos, RRT**

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Some patients believe they will receive more personalized care and customer service from small HME providers—and this perception can give independent providers a marketing advantage over their national counterparts, particularly in more rural markets. However, with hundreds of locations, national providers have the buying power and business resources that independent dealers typically lack.

Fortunately, group purchasing organizations (also known as GPOs or buying groups) that specialize in pooling the buying power of independent providers can help level the playing field. And, in the world of DME, some of the major GPOs have evolved into "member service organizations" offering business resources that rival those of large corporations—either free or at a discounted rate.

Membership in some buying groups is free, while others that offer a variety of business resources and solutions, in addition to group purchasing power, may charge relatively low monthly or yearly fees. Even for those that charge a fee, the return on the investment can be substantial.

Group Buying Power

The main purpose of joining a buying group, of course, is to combine your purchasing power with that of other independent suppliers to achieve decreased pricing for products and services as a group. GPOs seek out the best contract pricing available for their members in addition to other incentives, such as attractive payment terms, rebates, and decreased shipping or freight charges. In other words, they act as your contract negotiators and drive a hard bargain with manufacturers and distributors on your behalf.

Most buying groups will negotiate with dozens of manufacturers and distributors, offering a wide variety of choices in each product category. This ensures that HME providers have access to the name brand products that they or their referral sources may prefer. In addition, multiple choices in a product category can help keep competition healthy among manufacturers for your business. Some buying groups, however, offer only one brand of a particular item. The rationale behind offering products from one manufacturer in each category is that higher volume purchases will result in lower pricing for each product.

Companies that join a buying group are usually asked to run most of their purchases through the group contract so that the purchasing power of the group is enhanced for all members. And of course, you will need to stay current on your payments for the products, again, to increase the leverage that the buying group has with the manufacturers as a whole.

Business Resources

When the concept of buying groups originated, most were focused on negotiating product pricing for their members. As the concept evolved, however, there was a clear recognition that many independent dealers have a relatively small number of employees and limited business resources. Consequently, many of the larger buying groups began to offer a multitude of business services for their members as well. The goal was and is to remove barriers that exist for independent providers who wish to grow their businesses.

These services can be offered directly through the buying group, typically at an additional cost, or through other industry vendors such as outsource billing companies, consultants, telecommunications, Internet access providers, business insurance vendors, software vendors, and even Web site developers at a decreased cost that is offered only to members of the group. HME providers will typically find that the discounts offered for such services can more than pay for the cost of membership.

Training Services

There is no DME university that trains your employees for you. It is up to business owners to either find experienced staff members or train their employees themselves. Providers can tap into vendor sources for training employees on new products, but there are also OSHA-mandated services, FDA and DOT regulations, ever-changing reimbursement regulations, and the development of employee competency programs required for accreditation. Depending on the size of the company, keeping staff members trained can be a full-time job. Some member service organizations also have online training programs available at a reasonable cost.



Roberta Domos

Marketing Assistance

Independent HME providers may have a sales representative or two on staff, but they usually do not have an advertising department. Some of the larger buying groups can handle that for you as well. From flyers to copy for radio and television advertising, they often make sure you have the latest information from manufacturers to sell their products. This can come in particularly handy for retail DME businesses that rely heavily on cash, over-the-counter sales.

If you want to create your own marketing tools, member services organization and full-



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featured buying groups may have in-house staff members that can work with your sales representatives to create corporate identity packages, brochures, product sheets, and even Web sites to promote your business. Again, these services are typically provided at additional cost, but still at a discount over what it would cost to use an outside graphic design company that does not know your product market nearly as well as industry insiders will.



Payor Contracts and Referrals

Are you tired of turning down referrals because your company is not "in network" with certain insurance payors? Again, the larger buying groups may have a solution. Some will negotiate with hundreds of payors to take referrals on your behalf and send them to you, or allow you to bill through the contract they have negotiated if the referral comes directly to your company. There is a fee attached in most cases, but it can be a small price to pay for gaining the ability to accept more referrals. Beyond that, it is much easier to market your company to referral sources when they do not have to worry about whether you can accept the patient's insurance.

If you are not already a member of an HME buying group or member services organization, taking the time to research what is available can be well worth the time. If you are already a member of such a group, reviewing the full gamut of the services is a smart bet as well. The small things and the big things really can make a difference to the health of your company in the current reimbursement and regulatory climate. Buying groups can bring you both the small things and the big things in a one-stop-shop package.

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