



## ASK JOE

### Q What is Market Share Commitment?

**A** Each time we sit down and begin negotiations with a drug manufacturer we go through a series of rituals. Some are posturing but most are genuine efforts to ensure the best opportunity exists for all parties. At Oncology Associates, we work on behalf of our members, so it is with your best interests in mind that we steer our negotiations.

The obvious initiative is to negotiate a competitive price for the drug(s) in question. If the literature is accurate, 50-60% of the revenue generated in a private oncology practice is derived from the charges for drugs administered in the office. Obviously, when such a large portion of revenue is derived from the resale of an item, the cost of goods becomes a critical factor in any purchasing decision. Most of this is obvious to you and often explains your decision to join a group purchasing organization. The problem is what happens after you and your staff make this decision and join a particular group.

One is inclined to believe that the size of the group is what provides the necessary leverage to guarantee best pricing. Although the size of a group is important, as it accounts for potential volume, many large groups have failed to succeed in securing the best price schedules for their members. Effective group purchasing does derive benefit from the size of the membership but size is overshadowed by contract compliance.

A group's purchasing compliance is the true critical success factor. It tells the manufacturer that "a deal with us is a market maker" and one that can materially effect their fiscal standing. The real value of the group is not its size but its ability to move market share. Market share growth...it is the mantra of the manufacturers.

How do we ensure market share growth? We must, as a group, be committed to purchasing the medically appropriate drugs needed in our practice from the portfolio of contracted manufacturers. We must be conscious of aggregate value, not line item discounts, and we must establish a pattern of loyalty.

Our team is here to support you and contribute to the success of your practice. Please feel free to contact us if there is anything we can do to enhance our relationship and provide you with maximum values. We thank you for your ongoing support of Oncology Associates.

**Joseph Lewarski, OA's Chief Operating Officer and managing partner, answers the frequently asked questions posed by OA's membership. Contact him with your questions at [jlewarski@rmed.com](mailto:jlewarski@rmed.com).**

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