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Steven E. Adms, J.D.
Oirector of Governmental Relations
Louisiana Re9lth Care Association
7921 Picardy Avenue
Baton Rouge, LA 10809 .:-..

Re: Reques.t for Advisory Opinion

Dear MF I Adms ::

This is in response to your letter to Ben Sharp of August
18, -1981,.eeques.ting an-advisory opinion on a proposed agreement

between the Louisiana Health Care Association (the *Associationn) and Medi Co-op, Ine. (the "Co-opn) t~ establish a group
purchasing arrangement for

- This letter sets out the views of .the staff of the Bureau of
Competition, as authorized by the C ission" rules. It has not been reviewed or approved by the Comission. The Bureau's advice is rendered without prejudice to the right of the Comission later to rescind it and, where appropriate, to comence an enforcement proceedi~g.

As we understand it, Medi Co-op proposes to administer a
buying cooperative available to members of the Association, woo are nursing home owners and operators throughout the State of Louisiana. The Co-op would maintain a staff and warehouse facilities in the state. Association officers would sit with the Co-op" General &Mnager on a review cornnittee to oversee the Co-op" aectivi ties.

Food and medical equipment would be available through the
Co-op, but members would be free to purchase these products from other sources. Food purchased through the Co-op would be delivered directly to members by existing wholesalers and

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$.0-op, 5% given to the Association for administrative services, and 15% distributed among the members, pres blg in proportion to their

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t most products sold by the Co-op are not purchased for resale ers, but are used in producing a service sold by the
es. In at least two cases i t has been held that no mpotition resulted from price differences on
sold ts mnufaeturers for incorporation into another
product, beeause the price of t
of the cost of the finished pro

ong the Co-op's sabers would
also be relevant,

ID should be noted that the C issionfs orders relating to Punctiowal discounts granted ta co satives have been the subject of substantial criticism, and the C
reconsider the legality of some types of fu

pending a-inistrative litig aecmpany i ng issuanee of the complaint in ., FTG Docket

No, 9133 (complaint issued Ap Chat "evidence concerning services and functions performed by respondent [buyer] on goods It purchases for resale at the retail

leveln was to be admissible at trial, so that it could decide iminatory discounts could be justified by
1- services _performed bvd- the-fevored --

* embers of the Association. It