The business of care
The health market – commissioners, providers choice, commerce and care

**Consortia:**
Co-ordinate healthcare development and acute contracting for practices ï manage risk pool

**Practices:**
Holder of contracts with provider and consortia

**Care Providers:**
Deliver care to tariff
Manage input prices/costs

**Reg Health Board:**
Award Primary Care contracts and assess performance and healthcare with ties to local authorities and public health

**Health Industry:**
Supply goods, medicines, equipment, staff
And provide managed services

**Patients:**
Choice of practice & provider

delivering **value** to the NHS
With healthcare organisations facing structural change to align activities to meet healthcare business objectives and pressures…….

Challenges and opportunities balance out

Income suppressed in line with demand - QIPP and CIP challenges – Costs and risks from block contracts - Greater market competition and choice
Increased scrutiny of procurement decisions

Increased opportunity for focused optimisation of spend as commercial lever - freedom for collaboration and partnering - greater use of service/supply contracts - rewards for high performance - growth in private patient business

delivering value to the NHS
CPS - translating these challenges into simple service offers to meet healthcare business objectives

Systems to direct and manage caresupplies, drive costs down and manage risk

Insight to define, design and deliver improvements in care, and business process and performance, driving income

delivering value to the NHS
Procurement and SBS CPS solutions focus on understanding the management of costs, and focus on care.

- Cost of the business
- Cost of outcomes
- Cost of provider performance and quality
- Cost of purchasing
- Cost of medicines management
- Cost of patient pathway
- Cost of population health utilisation

delivering **value** to the NHS
“In the new NHS of constrained budgets, trust chief executives should consider procurement as a strategic priority. Given the scale of the potential savings which the NHS is currently failing to capture, we believe it is important to find effective ways to hold trusts directly to account to Parliament for their procurement practices.”

“At least 10 per cent of hospitals’ spending on consumables, amounting to some £500 million a year, could be saved if trusts got together to buy products in a more collaborative way.”

NAO Report

Amyas Morse February 2011
Back Office Efficiency Report

Jim Easton – January 2011

“Delivering value to the NHS

“Evidence from the private sector, central government and the NHS has shown that adopting shared services can deliver both significant cost savings and service improvement.”

“The NHS is paying a premium for its back office functions due to the fragmentation and lack of uniformity across the sector.”

“There is a fiscal imperative for NHS organisations to transform the way they work to deliver efficiency savings and high quality frontline services.”

“By adopting shared services in greater numbers the NHS will be able to deliver savings without impacting on patient care.”

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“Basic commodities are bought at significantly different prices across Government departments.”

“You could not be in business if you operated like this. It would be impossible.”

“There is a huge opportunity that has been clearly identified both in central Government and beyond, but without a clear mandate, energy, focus and commitment, this cannot be delivered.”

“Multiple contracts have been signed with some major suppliers by different departments at different prices.”
NAO Report key findings for NHS Trusts

- Limited access to purchasing data (products/prices/providers) within NHS Trusts, demonstrating low levels of purchase and contract coverage
- Lack of commitment to collaboration
- Wide price variation on common products
- Wide product variation with low levels of standardisation
- Large volume, low value, purchase orders increasing administration costs, reducing consolidation power
- Spot Buying only using commitment at single trust level - tactical short term step that lacks a sustained strategic cost reduction methodology - non compliant procurements - significant financial risk to trusts from successful challenge award damages
- Model required to engage collaboratively with regional and national agencies
- Greater take up of eProcurement, eCatalogues, exchange market places and eSourcing systems required alongside standard product coding
The vision for managed spend

- All NHS £ Strategically spent and levered for value
- Managed compliance, supporting control
- Aggregation of demand, driving value
- Reduction in variation, improved performance

delivering value to the NHS
Procurement may have Strategies for sourcing that support healthcare business development

With acknowledgement to the Kearney chessboard

delivering **value** to the NHS
The SBS Commercial Procurement Solutions response: The business cycle driving our services

- Understanding our costs and spend
- Contracting to comply with secure supplies and drive value
- Tailored procurement and contracting solutions for bespoke needs
- Financial and accounts systems to manage transactions
- Purchasing processes and systems to support day-to-day operations

delivering value to the NHS
CPS – Stepping down through M.I. Data and control points to manage costs, spend and drive savings

delivering value to the NHS
A model for engaging with national support,
Linking strategic change with operational delivery

Demand Side Enablers

NHS SBS
Trust Spend Analysis
Price & Product benchmarking
Strategic Sourcing & Market management
SAP clinical use / pathway review
Commitment contracting
Back office outsourcing Of finance / accounts / purchasing

Standard Processes
GS1 Product code adoption
Electronic marketplace & eCatalogues
Sid4Health supplier accreditation

Supply Side Enablers

NHS SC
Logistics consolidation Volume buy/supply Materials management

Health Industry Markets

Health Industry Suppliers

OGC Buying Solutions
Pan Govt. Supply frameworks

Pan Govt. Suppliers

Innovation and Learning

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The SBS Commercial Procurement Solutions
process aligned services

delivering value to the NHS
CPS – Products and services for business challenges.

Delivering value to the NHS
The SBS CPS strategic sourcing ‘contracting’ offer

**Spend**
- Spend capture and data cleansing & coding
- Spend profiling
- Spend & price benchmarking
- Spend matching

**Contract**
- Strategic sourcing opportunity assessments
- Spend mapped to frameworks and contracts to secure supply and value
- Rolling contracting programme
- Enhanced contracting through national competitions and SAP
- Managed contract performance and SRM

**Catalogue**
- Catalogues of suppliers/products and prices
- Maintained database
- Integration service with trust systems
- Links to spend benchmarking services and P2P

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Strategy steps in increasing spend management

Spend Under Management Benchmarks*:

Laggards 30% - Industrial average 30-70% - Best in class 70%

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Trust objectives

Reduce
- Spend fragmentation
- Clinical variation

Increase
- Use of economies of scale
- Product standardisation
- Best practice pathways

delivering value to the NHS
Aberdeen Group Global CPO Study
Procurement key objectives

<table>
<thead>
<tr>
<th>Structure of procurement</th>
<th>Management of spend</th>
<th>Supply base development</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Levels</td>
<td>• Clarity of spend</td>
<td>• Segmentation and</td>
<td>• Enabled contracting &amp; procurement</td>
</tr>
<tr>
<td>• Skills</td>
<td>• % of spend managed</td>
<td>rationalisation of</td>
<td>• Enabled purchasing &amp; p2p</td>
</tr>
<tr>
<td></td>
<td></td>
<td>supplybase</td>
<td>• Automated payment and 3 way matching</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Compliance to contracts</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Collaboration on spend</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Consolidation and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>aggregation of</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>procurement volumes</td>
<td></td>
</tr>
</tbody>
</table>

delivering value to the NHS
KPI’s that underpin Trust business objectives and track the progress of procurement in optimising spend control.

- Define: % of spend mapped to e class
- Measure: % of spend under contract, % of spend by P.O., % of staff professionally qualifies
- Analyse: 80/20 - Spend/Supply base, % of maverick spend
- Performance: % of orders OTIF & 3WM, % Spend by P2P e procurement, Procurement ROI – Savings/Operating costs

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A move away from frameworks

Spend refined, aggregated and committed over time

All NHS expenditure covered by Frameworks/Contracts

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The SAP pathway – The route to business performance and savings

Capacity Review
Rationalisation
Standardisation
Contracting commitment
Procurement
Market engagement
Mobilisation
Compliance commitment
Delivery

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SAP Process

### Product Phase 1
- **Analysis**
  - Review Spend data
  - Benchmark Pricing

- **Clinical Review**
  - Share clinical expertise
  - Consider NICE guidance

- **Procurement**
  - Procure with commitment
  - Initial Standardisation

- **Implementation and savings**
  - Implement contractual outcome

**Project team:** CPS, DOFS, SBS, Clinicians
**Supporting:** Procurement, Business partners

### Pathway Phase 2
- **Pathway Efficiency Review**
  - Review processes in pathway
  - Product use for patient/ task

- **Product Validation**
  - Developing exact specifications
  - Evidence based selection

- **Deliverables**
  - Efficiency, savings, innovation
  - Full Standardisation

**Selection of Strategic Partner**
- Drive product development
- Deliver further efficiency and utilisation savings

**Project team:** CPS, AQuA, NICE, MHRA, NPSA, Clinicians
**Supporting:** Procurement, DOFS, Business Partners

### Innovation and Continuous improvement Phase 3
- **Pathway workstreams**
  - Pathway Product workstreams
  - Patient Level Costing

- **Product efficiency**
  - Demand management
  - Right product for patient/ task

- **Innovation and improvement**
  - New product development
  - Implementation of innovative products

- **Savings and benefits delivery**
  - Establishment of ongoing KPI's and targets

**Project team:** Clinicians, Strategic Suppliers, NICE
**Supporting:** CPS, MHRA, NPSA, Business Partners

---

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© NHS Shared Business Services Ltd 2011
We will support securing supplies, procuring compliantly, and in optimising your spend volumes. We will ensure there are business ready catalogues for organisations to use in operational purchasing. We will continue to move framework volumes, committed customers, and commercially responsive suppliers closer together through continuous SAP rounds.
CPS Data Flow and Map

Data Sources

Member Data Feeds

Landing Stage

FTP Server
File Server

Database Server

Staging Database

Transform and Load

Data Sources

Supply Chain
SharePoint
Intranet
ePACT
MAGiC
GHX
Master Reference Table

Datawarehouse

AP
PO

Presentation Stage

Aspire
Supplier Income
Rag Status
Supplier Charging
Compliance Reporting Tool
Internet
Websites
Weekly Reporting
ROI Report
DOF Report
SSR Reporting

Reporting

Microsoft SharePoint

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Using spend analytics global views to look across markets and NHS organisations.
The graph at the top left shows the top suppliers by invoice spend; blue bars are for invoice spend and red bars are for order spend.

The graph at the top right shows the top suppliers by order spend. Again, blue bars are for invoice spend and red bars are for order spend.
Invoices By Supplier

The invoices by supplier shows all the invoices a supplier sent.

There is the functionality to enter a name of a supplier you wish to view which will search and return all the invoices from that supplier.
The products by supplier shows the distinct products bought from the selected supplier.
The purchase order lines shows all of the purchase order lines for a chosen product.
This bubble chart is a kind of scatter plot.

PO lines are grouped by eClass and represented by a bubble for each category.

The diameter of the bubble is proportional to the number of purchase order lines.
We can further drill into each bubble to obtain information on the next level of eClass, right down to level 3.
This shows all the products bought in a chosen eClass category.
Data Driven change – Benchmarking prices and measuring markets

Price Benchmark

Total Benchmark Opportunities: £90,251
Affected Spend: £73,694
Savings Ratio: 12%
Affected Products: 2,640

Benchmark opportunities detected against total purchase order spend, for this and other data packs

delivering value to the NHS
Data Driven change – profiling each organisation

Overview of Data Pack

- Pack ID: 439
- Pack Trust:
- Date range: November 2009 to November 2010

<table>
<thead>
<tr>
<th>Type</th>
<th>Savings</th>
<th>Affected PO Spend</th>
<th>Saving Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Variance</td>
<td>£46,337</td>
<td>£14,440</td>
<td>6%</td>
</tr>
<tr>
<td>Contract Opportunities</td>
<td>£12,000</td>
<td>£85,613</td>
<td>13%</td>
</tr>
<tr>
<td>Product Benchmark</td>
<td>£60,251</td>
<td>£773,664</td>
<td>12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>Spend</th>
<th>Trust Spend</th>
<th>Suppliers</th>
<th>Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP total</td>
<td>£47,034,370</td>
<td>1,869</td>
<td>22,503</td>
<td></td>
</tr>
<tr>
<td>PO total</td>
<td>£111,176,150</td>
<td>769</td>
<td>59,522</td>
<td></td>
</tr>
<tr>
<td>Compliance to PO</td>
<td>24.46%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AP total vs PO total for selection of data packs

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Data Driven change – examining the use of contracts

**Contract Opportunities**

<table>
<thead>
<tr>
<th>Total Contract Opportunities</th>
<th>£ 12,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affected Spend</td>
<td>£ 98,913</td>
</tr>
<tr>
<td>Saving Rates</td>
<td>13%</td>
</tr>
<tr>
<td>Products Affected</td>
<td>684</td>
</tr>
</tbody>
</table>

**Top selected examples of products which could have been bought at a lower price by using a contract:**

<table>
<thead>
<tr>
<th>Product Description</th>
<th>Quantity</th>
<th>Avg Price</th>
<th>Contract Price</th>
<th>Contract</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canned vegetables, Tomatoes whole plum 800g</td>
<td>992</td>
<td>£0.83</td>
<td>£0.44</td>
<td>£0.40</td>
<td>£1.44</td>
</tr>
<tr>
<td>Other examination needle non sterile, Medium</td>
<td>404</td>
<td>£2.29</td>
<td>£2.06</td>
<td>£2.06</td>
<td>£0.23</td>
</tr>
<tr>
<td>Other examination needle pigmented powder-free non sterile singles, K</td>
<td>650</td>
<td>£2.00</td>
<td>£1.76</td>
<td>£1.76</td>
<td>£0.24</td>
</tr>
<tr>
<td>Other examination needle pigmented powder-free non sterile singles, L</td>
<td>230</td>
<td>£3.87</td>
<td>£2.88</td>
<td>£2.88</td>
<td>£0.99</td>
</tr>
<tr>
<td>Other examination needle pigmented powder-free non sterile singles, M</td>
<td>405</td>
<td>£3.86</td>
<td>£2.86</td>
<td>£2.86</td>
<td>£1.00</td>
</tr>
<tr>
<td>Toilet hand paper 2 ply, 210 x 340mm premium white 100 sheets per roll</td>
<td>7,165</td>
<td>£0.83</td>
<td>£0.66</td>
<td>£0.66</td>
<td>£0.17</td>
</tr>
<tr>
<td>Total tissue roll 2 ply, 90mm x 340m white</td>
<td>1,064</td>
<td>£1.80</td>
<td>£1.51</td>
<td>£1.51</td>
<td>£0.29</td>
</tr>
<tr>
<td>Toilet hand paper 2 ply, 230 x 240mm white 200 sheets per sleeve</td>
<td>3,604</td>
<td>£1.01</td>
<td>£0.88</td>
<td>£0.88</td>
<td>£0.13</td>
</tr>
<tr>
<td>External Litter Bin, 112 litre Open Top Litter Bin</td>
<td>2</td>
<td>£64.68</td>
<td>£30.44</td>
<td>£30.44</td>
<td>£34.24</td>
</tr>
<tr>
<td>ENT REF P.ADAKID SUPPLY AND DELIVER 2 X DOMESTIC WASTE BIN</td>
<td>3</td>
<td>£55.50</td>
<td>£50.31</td>
<td>£50.31</td>
<td>£5.19</td>
</tr>
</tbody>
</table>

**Contract opportunities detected against total purchase order spend, for this and other data packs**

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Data Driven change – using price variation to plan procurements

Price Variance

<table>
<thead>
<tr>
<th>Description</th>
<th>Min Price</th>
<th>Any Price</th>
<th>Max Price</th>
<th>Quantity</th>
<th>Total Spend</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAPTOP HP5730NW A3 FER QUOTE REF 15348768</td>
<td>£699.00</td>
<td>£500.00</td>
<td>£799.00</td>
<td>51</td>
<td>£34,238.00</td>
<td>£554.66</td>
</tr>
<tr>
<td>FOR THE RENTAL OF A 240 DIGITAL COLOUR PHOTO COPIER (PRIN)</td>
<td>£195.13</td>
<td>£513.27</td>
<td>£221.84</td>
<td>36</td>
<td>£7,527.50</td>
<td>£816.82</td>
</tr>
<tr>
<td>Letter Headed Paper printed Surrey Borders Partnership NHS Foundation</td>
<td>£4.45</td>
<td>£4.50</td>
<td>£4.72</td>
<td>610</td>
<td>£2,745.92</td>
<td>£31.32</td>
</tr>
<tr>
<td>CHAR STANDARD CORPORATE OFFICE STYLE 1C IDENTITY HIGH BA</td>
<td>£158.64</td>
<td>£168.95</td>
<td>£175.26</td>
<td>89</td>
<td>£14,029.90</td>
<td>£888.94</td>
</tr>
<tr>
<td>CHAR STANDARD CORPORATE OFFICE STYLE 1A IDENTITY HIGH BA</td>
<td>£149.30</td>
<td>£145.96</td>
<td>£167.13</td>
<td>43</td>
<td>£9,216.03</td>
<td>£185.13</td>
</tr>
<tr>
<td>CHAR STANDARD CORPORATE OFFICE STYLE 2C IDENTITY HIGH BA</td>
<td>£158.64</td>
<td>£164.45</td>
<td>£175.26</td>
<td>39</td>
<td>£9,360.64</td>
<td>£260.64</td>
</tr>
<tr>
<td>VACUUM BAGS FOR DO II OS 022072005</td>
<td>£5.00</td>
<td>£6.00</td>
<td>£6.00</td>
<td>28</td>
<td>£166.72</td>
<td>£62.72</td>
</tr>
<tr>
<td>CHAR STANDARD CORPORATE OFFICE STYLE 2A IDENTITY HIGH BA</td>
<td>£149.30</td>
<td>£140.66</td>
<td>£167.13</td>
<td>42</td>
<td>£6,077.73</td>
<td>£185.13</td>
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<tr>
<td>DFG070130 CREASER 5703 HOSP BLUE WITH WHITE BR1 BND SIZE 1</td>
<td>£9.26</td>
<td>£9.34</td>
<td>£10.13</td>
<td>32</td>
<td>£306.40</td>
<td>£30.84</td>
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<tr>
<td>IT0670002 TUL Inc FEM 5703 HOSP BLUE WITH WHITE BR1 BND SZ</td>
<td>£9.95</td>
<td>£9.16</td>
<td>£9.84</td>
<td>28</td>
<td>£228.40</td>
<td>£33.66</td>
</tr>
</tbody>
</table>

Price variance detected against total purchase order spend, for this and other data packs

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Data Driven change – profiling each organisation

Overview of Data Pack

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AP total vs PO total for selection of data packs

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