

9 June 2017

Natalie Wilson
Independent Health Researcher

By email: natasha_tkachev@hotmail.com

REF: OIA-1650

Dear Natalie

Response to your request for information

Thank you for your request for official information emailed to me Monday 8 May 2017.

You asked for:

- How much, if anything, was actually saved by centralising procurement under HBL?
- What were the longer term effects of sucking procurement specialists out of DHBs?
- I understand all the DHBs were obliged to contribute millions collectively to this and wonder if this was value for money?
- I understand that Health Alliance at one time had a staff of around 70 but is now around 25-30% of this?

I have considered your request and respond as follows:

Please note that Health Benefits Limited (HBL) no longer exists. It ceased operations on 30 June 2015. NZ Health Partnerships (NZHP) inherited its programmes and services, but it has an entirely new Board, executive team and substantially new staff. Most fundamentally, NZHP is owned by all 20 DHBs equally, whereas HBL had two shareholding Ministers. Our ownership structure, effectively a national health co-operative, is unique in the health sector and a considerable strength.

It is important to understand the distinction between healthAlliance and healthAlliance (FPSC). The former is shared services organisation for the four Northern Region DHB, eg IT and payroll. The latter is a subsidiary of healthAlliance which in July 2014 commenced operations of a national procurement service on behalf of DHBs. HBL and more latterly NZHP, oversaw the contract and performance of healthAlliance (FPSC).

Since its establishment healthAlliance (FPSC) has reported benefits of approximately \$125 million.

By way of further background, in April 2016 DHB Chief Executives unanimously approved the DHB Procurement Strategy, which was facilitated by NZHP. The Strategy focuses on reducing complexity, and leveraging the capability of DHBs, PHARMAC and the Ministry of Business Innovation and Employment (MBIE), to increase return on DHB investment in procurement.

In March 2017, DHB Chief Executives also unanimously approved the health sector's new procurement Operating Model.

The new Operating Model included responsibility for the national procurement service moving from healthAlliance (FPSC) to NZHP from 1 May 2017.



Establishing the national procurement service at NZHP aligns better to the DHB Procurement Strategy and the new cross-sector governance model.

NZHP is also responsible for aligned procurement planning across the sector and manages the Data Hub which provides the business intelligence to inform strategic procurement. Through NZHP there will be a direct line of sight between these three key services – planning, information and delivery.

PHARMAC will incrementally take over medical device procurement over the next three years. NZHP will work directly with PHARMAC to manage this process on behalf of its DHB shareholders.

healthAlliance (FPSC) continues to provide procurement services for the Northern Region DHBs on a permanent basis which is consistent with the Collaborative category of work outlined in the new Operating Model (see Table 1 below).

Table 1. High-level Sector Procurement Operating Model

Within the Operating Model, procurement is split into the following broad categories:

- **MBIE** - providing All of Government and syndicated sourcing, rules of sourcing and government direction
- **PHARMAC** - managing procurement of pharmaceuticals and medical devices for the sector (increasing over time)
- **National** - initially residing within **NZHP** but over time it may devolve to the most appropriate location (a centre of excellence type approach), will also provide ongoing governance, planning and systems support
- **Collaborative** - where groups of DHBs work together for the common good and the procurement does not fit in the above categories, governed by the Joint Procurement Authority and coordinated nationally by NZHP
- **Local** - where DHBs procure/purchase for their individual use and the procurement does not fit in the above categories.

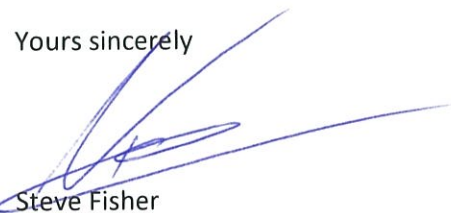
With respect to the longer terms effects of moving procurement specialists out of DHBs, you will need to be more specific about what “effects” you are referring to.

I do not hold information on the historical or current staffing levels of healthAlliance (FPSC) but I expect there will have been a substantial reduction given the changes to the Operating Model outlined above. What I do know, is that a small number of its staff joined NZHP on 1 May 2017.

Your rights

Please note under section 28(3) of the Official Information Act, you have the right to complain to the Office of the Ombudsman and to seek an investigation and review of this decision. Email: info@ombudsman.parliament.nz.

Yours sincerely



Steve Fisher
General Manager, Communications and HR

