Health Sector Supplier Briefing
Pre-briefing Survey Feedback

• Would it be helpful to cover roles and responsibilities in the Briefing?
Survey Themes

• Collaboration, consolidation, alignment and coordination increases benefits and decreases costs

• Suppliers need to be able to communicate with DHBs on product innovation and developments

• Centralisation to help innovation
Presenters

- Dr Nigel Murray, Chief Executive of Waikato DHB and CE Sponsor, DHB Procurement
- Megan Main, Chief Executive of NZ Health Partnerships
- Steffan Crausaz, Chief Executive of PHARMAC
- Peter Kennedy, Head of Finance at Hawke’s Bay DHB
- Andy Cochrane, Programme Director Procurement, NZ Government Procurement, MBIE
We will cover....

- DHB Procurement Strategy
- Direction of DHB Procurement
- Transition of medical device procurement to PHARMAC
- Perspective of DHBs
- Procurement Enablers
- All-of-Government Procurement
DHB Procurement Strategy

Dr Nigel Murray
Chief Executive Waikato DHB
Chief Executive Sponsor DHB Procurement
Background

- The Government wants DHBs to collaborate and leverage their combined strength
- DHB Procurement Strategy approved by DHB CEs in May 2016
- Major step forward in delivering greater value for the health sector
- Strategy being implemented through aligned annual planning and the operating model
## Strategic Principles

<table>
<thead>
<tr>
<th>Demonstrate Value</th>
<th>• All procurement activity must be of demonstrable value, taking into account the entire value chain.</th>
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</thead>
<tbody>
<tr>
<td>Demonstrate Commitment</td>
<td>• DHBs are committed to Collective Procurement and will work cooperatively with all participants to achieve defined strategic goals.</td>
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<tr>
<td>Drive Standardisation</td>
<td>• DHBs actively commit to a set of nationally led DHB procurement categories.</td>
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<tr>
<td>Ensure Patient Focus</td>
<td>• Procurement is undertaken with the needs of patients in mind to achieve the desired balance of clinical and financial outcomes.</td>
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<tr>
<td>Achieve Balance</td>
<td>• Long term goals are not compromised by a focus on the short term.</td>
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<tr>
<td>Embed Enablers</td>
<td>• Collective procurement is built on DHB-owned enablers, including systems and information.</td>
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<tr>
<td>Streamline Activity</td>
<td>• Operational waste, including unnecessary duplication, is minimised.</td>
</tr>
<tr>
<td>Ensure Alignment</td>
<td>• DHB procurement aligns with the NZ Health Sector Strategic outcomes and the Government Rules of Sourcing.</td>
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</tbody>
</table>
Strategic Objectives

1. Driving health outcomes by focusing on clinical imperatives such as quality, safety, standardisation and sustainability
2. Reducing overall procurement costs and increasing real return on DHB investment
3. Catalysing collaboration and cooperation in the health sector by working as one team for the national good
What does this mean for Suppliers?

• As the health sector changes, suppliers will need to change too

• With greater collaboration among DHBs and alignment between organisations, suppliers will need to play by the rules

• We want to be easy to do business with
Direction of DHB Procurement

Megan Main
Chief Executive NZ Health Partnerships
NZ Health Partnerships

• Established on 1 July 2015
• Owned by all 20 DHBs
• Our purpose is simple – create value for DHBs
• Fully integrated governance model
Governance Model
Operating Model

End to end Procurement Value delivery - Role

Governance

- Minister
- Pharmac Board
- NZHP Board
- JPA
- DHB

MBIE
- AoG
- Syndicated
- Public Sector capability leadership

PHARMAC
- Manages for the Sector
  - Pharmaceuticals
  - Medical Devices
- Governance Support
- Process / System Support

NZHP
- Governance Support
- May reside in different locations

National
- National Sourcing
- Not always a region

Collaborative
- Group sourcing
- Local Sourcing

DHB
- Demand Management

SUPPORT PROCESSES AND FUNCTIONS
E.g. (Planning, consultation, Information Management enablers, rules, etc.)

Respect, Transparency, Accountability and Commitment
Roles and Responsibilities

MBIE
- Rules of Sourcing
- All-of-Government Contracts
- Syndicated contracts
- Capability Leadership

PHARMAC
- Medical devices (phased uptake over 3 years)
- Pharmaceuticals
Roles and Responsibilities

National Procurement

• Collaborative - measure based on volume of spend
• Where particular specialist knowledge resides
• Other triggers (sector risk, contract risk, approach, national significance)

Collaborative Procurement

• Two or more DHBs work together to aggregate their requirements through a single supplier engagement
• May be in multiple regions or groups of similar type DHBs. This includes healthAlliance (FPSC) which will continue to provide procurement services for the Northern Region DHBs.
• Based on a bottom up approach

Local Procurement

• A single DHB chooses to undertake for their DHB and does not fit in National or Collaborative categories
• May be outsourced to other DHBs, a central organisation such as NZHP or to a commercial organisation
What will be different?

• National Catalogue of goods and services
• Clinical Engagement Framework
• Supplier Relationship Management Framework
• More communication
QUESTIONS
PHARMAC and hospital medical devices

Steffan Crausaz
Chief Executive
Our role and mission

“…to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided.”

• New Zealand Public Health and Disability Act 2000
A record of delivering value
What’s driving us?

Sustainable expenditure growth

Investment in new technology

Balancing access with health gain and cost-effectiveness

Consistent national access with appropriate regional variation

Best health outcomes

All decisions informed by consultation and clinical input
A staged approach

- national contracting
- market share procurement
- investment management
- budget management
Managing new technology
Engagement and relationship building
Building our understanding

NEED

SPEND

COMPLEXITY

MARKET DYNAMICS
Devices progression - complete

- Interventional cardiology
- Sutures
- Wound care
- Sterilisation wrap
- Surgical gloves
Devices progression – underway

- Orthopaedics
- Single use instruments
- VTE prevention
- Thermometers
- Hand hygiene
Devices progression – what’s next

- Anaesthesia
- Respiratory consumables & equipment
- IV and needles
- Endomechanical & electrosurgical
- Negative pressure wound therapy
- Interventional radiology
- Urology, ostomy & continence
- Enteral nutrition
- Dialysis
Devices progression – remaining

- PPE, drapes and gowns/procedure packs
- Surgical instruments
- Gastro equipment
- Rhythm devices and electrophysiology
- Surgical implants
- Patient monitoring including ECG
- Diagnostic imaging
- Laboratory products
- Patient warming
- Ophthalmology
- Cardiothoracic surgery
- Theatre equipment
- Dental equipment
- Rehab equipment
- Ward equipment
- Audiology
Progress to date
Wound care ‘market share’

EG post-surgery dressings, foam dressings
Average savings 22% ($3m over five years)
Progress to date - summary

- **$16.6 million**: 5 year value of 2016/17 decisions
- **6 categories**: 31 suppliers
- **$37 million**: Savings to DHBs over 5 years from national contracts
- **35,000**: Number of line items on the pharmaceutical schedule from 1st March 2017 worth $100 million
### Progress to full scope of medical devices

<table>
<thead>
<tr>
<th>Category</th>
<th>Devices under agreement</th>
<th>Contracting Underway</th>
<th>Proposed next categories</th>
<th>Remaining categories</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Equipment</td>
<td></td>
<td></td>
<td></td>
<td>$24 million</td>
<td>$24 million</td>
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<tr>
<td>Imaging</td>
<td>$18 million</td>
<td>$18 million</td>
<td>$37 million</td>
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<td>$73 million</td>
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<tr>
<td>Laboratories</td>
<td></td>
<td></td>
<td></td>
<td>$55 million</td>
<td>$55 million</td>
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<tr>
<td>Medical Services</td>
<td></td>
<td>$45 million</td>
<td>$19 million</td>
<td></td>
<td>$65 million</td>
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<tr>
<td>Orthopaedic Implants</td>
<td>$34 million</td>
<td>$59 million</td>
<td></td>
<td></td>
<td>$93 million</td>
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<tr>
<td>Surgical Services</td>
<td>$17 million</td>
<td>$15 million</td>
<td>$19 million</td>
<td>$115 million</td>
<td>$166 million</td>
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<tr>
<td>Ward</td>
<td>$30 million</td>
<td>$10 million</td>
<td>$69 million</td>
<td>$57 million</td>
<td>$166 million</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$100 million</td>
<td>$84 million</td>
<td>$151 million</td>
<td>$308 million</td>
<td>$642 million</td>
</tr>
</tbody>
</table>
Next steps
Questions
A DHB Perspective

Peter Kennedy
Head of Finance Hawkes Bay DHB
A DHB Perspective

Serves a population of 541,080 people (2016/17 estimate)

Serves a population of 161,780 people (2016/17 estimate)
A DHB Perspective

• DHBs are committed to working with their partners (PHARMAC and MBIE) through NZHP on national procurement solutions.

• DHBs are and will continue to comply with government rules of sourcing

• Building procurement capability at DHB level
Procurement Enablers

Megan Main
Chief Executive NZ Health Partnerships
Data Data Data Data

? =

[Image of a single banana] [Image of a blue rectangle] [Image of a bunch of bananas] [Image of an Australian flag] [Image of a New Zealand flag]
National Catalogue

• Will be built progressively as DHBs migrate onto the National Oracle Platform

• First implementation:
  – All items under National Contracts
  – Additional catalogue items under regional or local contracts from Bay of Plenty, Canterbury, Waikato and West Coast DHBs

• All Items on Catalogue will have:
  – Common Description - Functional Name, Variant, Brand, Sub-brand
  – Common Primary Unit of Measure - as agreed by DHBs
  – Common Categorisation and accounting – UNSPSC/FRED
  – GTIN recorded where available and applicable
  – Other GS1 attributes - added at a later date where there is value
National Datahub

DHBs’ Spend data

Supplier mapping

Item mapping

Validation / QA

Publication

GS1 data

Contracts

Contract item
National Electronic Data Interchange (EDI)

• National Oracle Solution (NOS) will utilise the following electronic documents with suppliers
  – Purchase Orders
  – Purchase Order Confirmations
  – Advanced Shipping Notifications
  – Invoices
  – Credits

• A supplier on-boarding process will be designed and communicated to suppliers as part of NOS rollout

• Existing EDI suppliers to DHBs will need to go through a new on-boarding process as message formats and data elements will be different in NOS

• As DHBs migrate onto NOS they will adopt the EDI processes for existing EDI suppliers
QUESTIONS
NZ Government Procurement

Andy Cochrane
Programme Director Procurement, NZ Government Procurement, MBIE
Driving better outcomes for government

Health Sector Suppliers Briefing 2017
SHAPING PROCUREMENT EXCELLENCE TO DELIVER VALUE FOR NEW ZEALAND

How and what the government purchases can have a significant influence on economic growth

$39b government spend per annum is with third party suppliers

Approximately 18% of GDP

37 cents in every dollar
We are aligned with the NZ Health Sector

• NZ Government Procurement is here to support Health Partnerships and DHBs to raise standards, improve capability and drive innovation across the sector

• Collaborative procurement effort across the health sector supports our goal to make government a customer of choice and easier to do business with

• The five principles and the Rules guide the DHB procurement strategy; enabling health sector agencies to deliver better procurement outcomes for the health sector
The Five Principles of Procurement

The Principles form the foundations of good procurement practice

1. PLAN AND MANAGE FOR GREAT RESULTS
2. BE FAIR TO ALL SUPPLIERS
3. GET THE RIGHT SUPPLIER
4. GET THE BEST DEAL FOR EVERYONE
5. PLAY BY THE RULES
The DHB procurement strategy is a step in the right direction

- All DHBs are providing their Annual Procurement Plans to MBIE.

- Strategic interactions with suppliers and DHBs ensures market is prepared and well-informed.
NZ Government Procurement future focus areas

- Building system-wide procurement capability, including technical capability, soft skills, strategic thinking and leadership
- Supplementing GETS to increase digital engagement between agencies and businesses
- Extracting more than just cost savings from All-of-Government contracts
- Improving businesses’ experience in participating in government contracting
- Ensure suppliers are supported to gain access to opportunities both in NZ and abroad
- Driving value for social sector expenditure
- Enhancing feedback channels to better inform policy
Any Questions?
Stay in touch
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Thank you