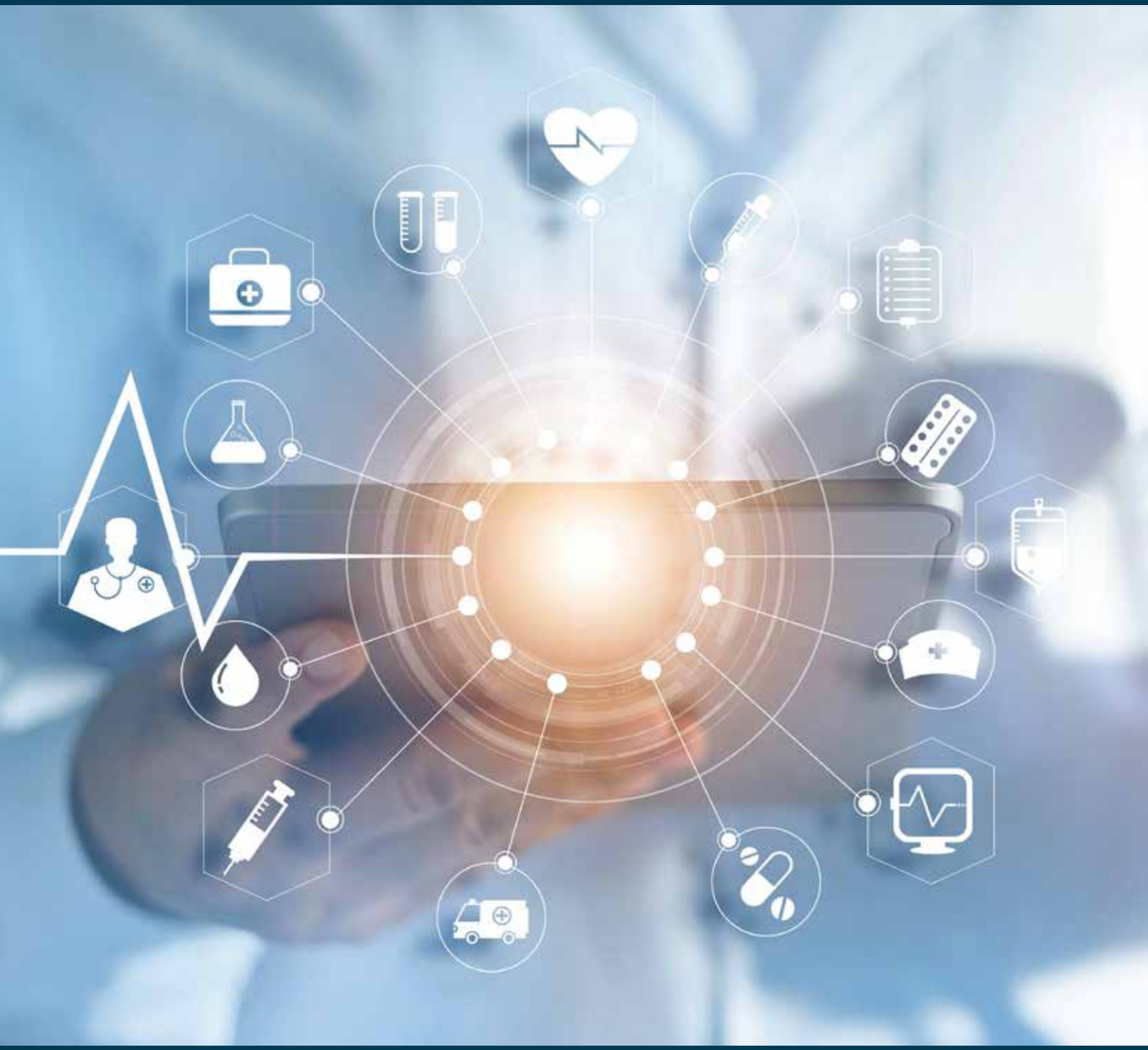
NZ HEALTH PARTNERSHIPS
Hono Ōranga Aōtearoa

UPDATE TO THE SECTOR

QUARTERLY – MAY 2019



INSIDE THIS ISSUE

CEO MESSAGE

Welcome to our *Update to the Sector* quarterly publication.

This publication forms part of our commitment to ensure our shareholders, the District Health Boards (DHBs) and other key stakeholders are kept informed about company activities.

NZ Health Partnerships provides a number of programmes and services to the Sector – Corporate and Finance, Procurement, and Information Technology systems and services. While we are a lean company of around 50 people, we have been able to achieve some significant milestones this quarter. This publication highlights some of these milestones, while also providing information around our organisational goals over the coming months.

We have been pleased to receive positive feedback around our shared banking and collective insurance services; DHBs are realising the tangible value these provide to their organisations and (more broadly) the Health Sector.

Our Procurement Plan for 2019/20 has been approved by all 20 DHBs. We look forward to continuing to work alongside Sector partners, other government agencies and suppliers to ensure goods and services are distributed to the frontline of health, delivering the best value for all.

We were also pleased to achieve the successful conclusion of the Food Services Agreement mobilisation costs, following years of negotiation. Working with participating DHBs and our supplier, Compass Group NZ, we believe a positive outcome has been achieved for all.

Most will now be aware that NZ Health Partnerships is undergoing a review process that has been initiated by our shareholders. We see this as an important stage in the company lifecycle, to review where we have come as an organisation and the potential value we can deliver in the future. We look forward to engagement in the upcoming months with the high-profile team, led by Sir Brian Roche.

Tim Keating

FINANCIAL PROCUREMENT AND INFORMATION MANAGEMENT

Business case completed in **February** 2019

NATIONAL PROCUREMENT SERVICE

2017/18 total benefits in return **$6.7m**;
compared to FY18/19 YTD **$7.3m** total benefits in return

SHARED BANKING SERVICE

on track to meet the benefit target of **$5.4m**

COLLECTIVE INSURANCE SERVICE

$4.9m benefit locked in for 2018/19

COLLECTIVE INSURANCE

NZHP is working with the Sector's insurance broker, Marsh, on the 2019/20 insurance renewal.

The collective insurance service allows insurers to achieve a good spread of risk across the whole of New Zealand. This is particularly important at this time, when some insurers are wary of certain parts of the country with higher earthquake risk. The collective agreement ensures DHBs in these areas continue to be able to secure insurance cover on reasonable terms.

Next steps

APRIL

- NZHP is a member of the presentation team to insurance underwriters, as part of the 2019/20 renewal process. This includes updates on steps being taken to improve the property portfolio and risk management process, as well as sharing 2018 earthquake risk assessment data from Geological and Nuclear Sciences
- Insurance declaration information, as collated by Marsh, will be provided to insurers and underwriters
- Cover for $21 billion of property and plant assets is being sought

MAY to JULY

- Negotiation of insurance pricing and terms is due in May and June, with the renewal to be in place by 1 July 2019

– INSIGHTS –

The procurement landscape

General Manager Procurement, Colin Hui, brings to NZHP a background as a registered clinical pharmacist, including Melbourne's Alfred Health's Deputy Director of Pharmacy, before being promoted to Head of Medical and Pharmaceutical (clinical) responsible for managing the state's clinical procurement portfolio (for 76 health services in Victoria). He was promoted to Senior Head of Procurement, managing the $1 billion in spend value for state-wide procurement portfolio (clinical and non-clinical), saving over $66 million in budgetary benefits.

By Colin Hui

There are many benefits to embracing the opportunity that 'collective buying power' offers.

Huge financial value can be gained by consolidating volume to drive competition. This is particularly beneficial for high-substitutable commodity products, like pharmaceuticals and medical consumable categories. However, for more complex goods and services categories it is not always about consolidating volume to deliver value – a more strategic approach to procurement is required.

While there are both risks and benefits around adopting either a centralised or decentralised procurement model, recent research indicates that a central-led procurement agency is best suited to deliver strategic procurement.

Not only would the agency be tasked with running specific sourcing events, but it would streamline and coordinate activities, drive knowledge sharing, standardise processes and create transparency – keeping all parties (the procurement agency, customers and suppliers) accountable.

A central-led model could also allow for a 'helicopter view' to identify both opportunity and risk to the sector. And, it would enable us to build much-needed procurement capabilities in New Zealand, thus 'future proofing' the Sector in the long-term.

> We need to be flexible in our approach to procurement and ensure the strategy meets each situation's unique needs; we can do this by developing the right strategy, for the right category, in the right situation.

Our unique sector

As a Sector, we face unique challenges. If we concentrated on the following core areas, we might be better placed to manage these:

- **Governance**: Support from a strong governance group helps direct focus and responsibilities. An empowered Joint Procurement Authority (JPA) would provide invaluable support to the Sector
- **Commitment**: DHBs' ongoing commitment to the DHB Procurement Strategy, operating model, and DHB Procurement Policy is vital to success. This commitment sends a strong signal to the market and will drive better responses
- **Information sharing**: By sharing existing product evaluation outcomes, historical expenditure data, specifications and category plan information we could accelerate procurement. Our existing, centralised DataHub is a strong vehicle for this
- **The right targets and incentives:** If we have the right incentives, measurement mechanisms and targets for national, collaborative, and local procurement teams in place, we would reduce the risk of unintended behaviours including duplication of activities such as going to market for the same goods and services at the same time, thus confusing the market.

NZ & AU — how we differ

Group Procurement Organisation (GPO) exists in many public health systems. Given that the Sector is one of the major expenditures for Government, there is a high need for strong probity process. Following the Government Rules of Sourcing is always an important part of public health.

In Australia, public healthcare is managed by the federal and state governments. Public health GPOs are often funded and owned by state health departments, that have a clear mandate to achieve procurement outcomes. A similar mandate is given here to PHARMAC and MBIE, but the national procurement ownership model is more aligned to the United Kingdom's NHS system where there is no mandate as such.

Procurement team milestones

- Developed a standardised category structure for the Sector
- Actively managed and resolved the expired contract risk from 120 to 23
- Successful conclusion of the Food Services Agreement Mobilisation costs (under Health Benefits Ltd), following years of negotiation
- Developed a category analysis tool to support procurement decisions
- Built a clinical/ customer engagement framework
- Created the first DHB National Procurement Plan, supported by all 20 DHBs

> My medical experience has made it easier for me to engage with clinicians; at the same time, a pharmacist is trained to listen and simplify complex medical language for patients. My role now is about stripping the jargon out of procurement so our stakeholders can clearly understand what we are trying to achieve.

I believe there are benefits to both systems. And, irrespective of mandate or not, the core mission of procurement is the same – to partner with stakeholders to deliver best-value outcomes for its customers.

Another difference between us and our Australian cousins is the registration process for medical goods and service. We have many more suppliers and parallel imports here and DHBs are responsible for regional health outcomes. This is unlike Australia, which separates public hospitals and primary services.

Value vs cost outcomes

Looking ahead, the Sector is moving towards more 'value-based' than 'cost-based' outcomes approach. The procurement function must also shift from 'tendering' to a holistic procurement that includes strategy, sourcing, implementation and contract management.

In the future, procurement, supply chain and demand forecasting (the next level of data analytics) will be an intrinsic part of any procurement function.

The evaluation of procurement will continue, but this will need considerable education and understanding of what procurement can offer.

I believe that New Zealand has the opportunity to rise to these challenges as we develop (and deliver) a robust strategic model that aims to achieve best-value outcomes for customers.

The Procurement Evolution

1980s – 90s
- Purchasing
- Transactional
- Peter Kraljic – "Purchasing must become Supply Management"[1]

2000s
- Purchasing function can do more
- Aligning purchasing with business strategy[2]
- Strategic sourcing can be a competitive advantage[3]
- Stakeholder engagement

2010s
- Business process
- End-to-end procurement lifecycle
- Supplier relationships management
- Customer relationships management
- Total cost of ownership
- Data-driven decisions

>2010
- Supply chain integration and the impact from globalisation
- Demand management
- Risk management
- Sustainability
- Digital world –block chain, predictive analysis
- Track and trace
- Integrated systems

[1] Kraljic, P. (1983), Purchasing must become supply management, p 111, *Harvard Business review*
[2] Niezen, C, and Weller, W (2006), Procurement as Strategy, *Harvard Business Review*
[3] Gottfredson, M, Puryear, R, and Phillips, S, (2005), Strategic Sourcing: From Periphery to the Core, *Harvard Business Review*

Procurement – Medical Gloves Project

PROCUREMENT takes a category management approach for goods and services, allowing specialists to conduct opportunity assessments. These assessments involve reviewing expenditure data, market trends and supplier market share, to shape a sourcing strategy to deliver best value outcomes.

OPPORTUNITY Across the Health Sector, there are varied approaches to procurement to deliver benefits to address the funding gap and deliver better patient care, including collaborative, syndicate, collective, local and national.

NZHP identified a need to standardise the product range and rationalise the supplier base for non-sterile examination gloves (medical category), through a national request for proposal (RFP) for the supply of non-sterile examination gloves.

CHALLENGE DHBs operate independently with diverse clinical requirements and operating models, making national projects complex to coordinate and evaluate. This not only impacts decision-making, budget control and timelines significantly, but requires a high degree of stakeholder engagement.

SOLUTION An NZHP cross-functional procurement team was created to lead the project, including specialist category management, analyst, governance and operations roles.

A reference group, consisting of representatives from multiple clinical backgrounds and DHBs' representatives, was also established. This group quickly identified that evaluation should be driven by health outcomes. Based on clinical imperatives these included quality, safety, standardisation and sustainability, reducing procurement costs and delivering a return on investment for DHBs. These measures enabled the project team to bring the group back to the project goals.

The team also identified a diverse range of stakeholders and planned an intensive engagement approach, supported by an analytical methodology. A commitment to patient safety guided the approach.

What our customers say...

"This is something the industry wanted and needed."

"This is amazing work."

"I found the engagement with NZHP to be of high standard. Everything was explained clearly, and I didn't finish the process feeling like we had missed a vital piece of information, or that we should have done something differently. NZHP respected the expertise of all participants."

"It is no easy task to leverage pricing to the level achieved by this project. The quality of analytical information provided has made price change impact and options assessment very transparent."

Esré Bezuidenhout, Category Manager

Jean Cogle, Procurement Analyst

BENEFITS Consensus was achieved from all 20 DHBs around the spend baseline via the development of the specification and supply analysis tool.

With 13 supplier responses to the RFP and eight sub categories offered, a **savings of 6%** on current spend was achieved, with the opportunity of an **additional 15%** if a DHB chooses to purchase a lower cost equivalent product.

Category suppliers were **reduced from 20 to four.**

The team's approach to change and engagement required for training, business readiness and workstream activities can be used to support future projects.

A simple, but effective, analysis tool was developed by the project team for each DHB to quickly identify a cost savings and substitution (subject to clinical approval) for further savings. This tool can now be used across other goods categories. It will provide efficiency gains for DHB clinicians and supply chain teams, particularly if a DHB lacks resource or in-house expertise to implement across a range of specifications and multiple supplier options.

First National Procurement Plan released

The first National Procurement Plan (NPP) for the health sector is estimated to deliver total **benefits** ranging from ***$16.4 million to $25.2 million**.

*The estimated figures are based on the proposed National Plan, which is not yet approved.

ENGAGEMENT

DECEMBER 2018

- Robust consultation begins
- Procurement leads invited to provide NZHP with potential greenfield categories

JANUARY 2019

- Aligned medical categories beween NZHP and PHARMAC
- Circulated drafts to POAG DHB representatives, for feedback

MARCH 2019

- Plan endorsed by POAG

APRIL 2019

- Plan circulated to CFOs for approval
- Plan endorsed by JPA
- Board's final endorsement via circular resolution

MAY 2019

- Final Chief Executive approval due

JUNE 2019

- Aim to deliver 7 more RFPs

Q&A

What's in it for me? What is my DHB's ROI?

The national procurement service provides a number of discrete services to DHBs, including opportunity assessments, strategy development, national sourcing, optimisation, implementation services, contract management services, and building procurement enablers.
Over time, NZHP hopes to have line-of-site for individual DHB's expenditure by category from DataHub.
In the meantime, a financial forecast tool has been created for procurement leads. However, DHBs will still need to consider value delivered through opportunity assessments, procurement enablers, active contract management, and optimisation.

How confident are we on the numbers?

The expenditure data is extracted from data provided by DHBs through DataHub. Given the data is governed by individual DHBs, the format, description and Unit of Measure are not always consistent. NZHP uses the bottom line spend figure to estimate the annual expenditure at the national level.
For PHARMAC categories, we use what is reported by PHARMAC to POAG. These figures are not broken down by DHBs.
For indirect products and services, we analyse DataHub data and attribute the spend information into the relevant categories based on supplier spend.
Therefore, it may not be completely accurate if a supplier provides services across multiple categories, which is why the National Procurement Service has highlighted the need to source data directly from suppliers for categories in scope of the National Procurement Plan.

Can you deliver on time?

Yes – with support from DHBs. A national process will require subject matter expert input from DHBs through the reference group process. We will need the DHBs' ongoing support to meet timelines.

What if I have an existing local contract already in place? Does that mean that there is no value?

Where one or more DHBs has a current contract for the supply of goods and/or services at the time notification occurs that those goods and/or services are part of a national contract, that DHB or those DHBs are exempt from adopting the NPP until the end of the current contract's principal period (ie the initial contract). (Procurement Policy Section 9.1)
In other words, DHBs can honour current contracts, but this doesn't mean they won't receive value over time. The value question is determined by the comparing of outcomes. We recommend that DHBs:

- Assess the national procurement outcomes and compare whether there is value to join
- Include a National Procurement Clause, similar to the PHARMAC clause to any new contracts, to create opportunity to join a national contract.

*The estimated figures are based on the proposed National Plan, which is not yet approved.

SPECIAL
FOCUS

Health Finance Procurement and Information Management System (FPIM)

Each year, DHBs spend billions of dollars buying goods and services using a variety of separate finance, procurement and supply chain systems.

There are at least two basic requirements that all systems share:

1 They must be fit-for-purpose to support day-to-day operations allowing DHBs to manage how goods and services are sourced, ordered, delivered, stored, used, and paid for. They must also meet requirements for maintaining financial records, budgets and reporting

2 They must provide this functionality at levels of risk considered acceptable by the executive teams and Boards of each DHB.

FPIM will work with 10 DHBs to deliver the necessary finance, procurement and supply chain functionality. It will also work with these DHBs, all of which have end-of-life systems, to mitigate their risk of operational failure through the development of new IT infrastructure.

In addition to these basic requirements, there are opportunities for DHBs to work together through the better use of data and procurement, to improve value for money for the goods and services they purchase.

FPIM will work with all DHBs, the Ministry of Health, PHARMAC and others to design an interfaced national catalogue of goods and services, a common Chart of Accounts and an operating model to achieve procurement benefits.

"

General Manager, FPIM, Steve Fisher will continue to manage the FPIM programme and service on a day-to-day basis and will also attend the Governance Board meetings.

THE BUSINESS CASE

As required by Cabinet, a new business case for FPIM was completed and sent to DHBs on 21 February 2019 for their consideration.

The business case was developed in consultation with the Sector and through a series of workshops with DHB Chief Executives, CFOs, CIOs and other subject matter experts. The business case was also assessed through to two clinics involving central agencies (including Ministry of Health, Treasury, Ministry of Business, Innovation and Employment and Government Chief Digital Officer) and was the subject of a Gateway Review.

Recommendations

1 A phased approach to enable DHBs with end-of-life finance, procurement and supply chain systems to mitigate their risk of operational failure, in parallel with work to design and implement the necessary building blocks model to achieve procurement benefits through PHARMAC.

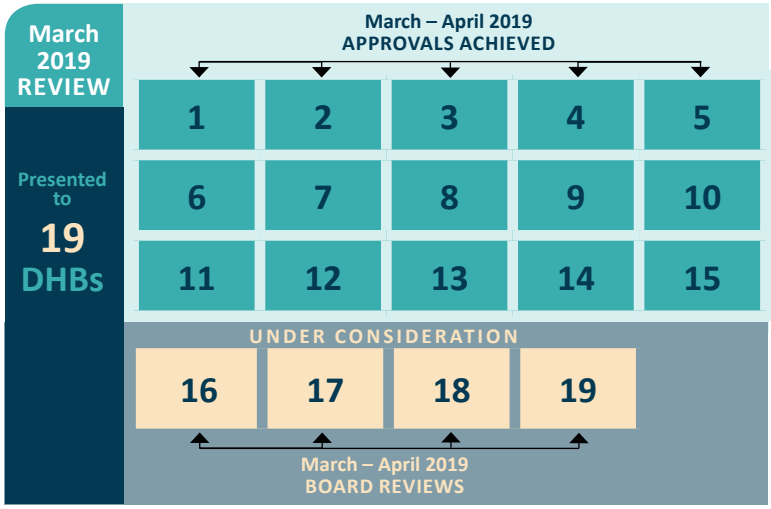
2 That those DHBs which have not signalled an immediate requirement to address their risk through an upgraded Oracle solution, would remain on their current systems should they choose to do so. These DHBs are being asked to commit to ensuring they can interface with a shared national catalogue and common chart of accounts being used nationally.

This distributed, non-centralised approach represents a fundamental shift from the 'single national system' (based on one instance of an Oracle solution) that had been proposed in the past.

The Governance Board – chaired by the Director-General of Health – endorsed the overall approach proposed in the Business Case and approved its distribution to DHBs.

DHB approvals update

As at 26 March 2019, 19 DHBs had considered the business case, 15 of which have approved. The other four DHBs have provided partial approvals with some conditions to be met before their Boards make final decisions.



DOING THINGS DIFFERENTLY

This programme has had a long and difficult history. A key question is **What will be different this time**? This is covered in more detail in the business case itself, but in summary:

1. The governance has been significantly **strengthened** with an overarching governing board chaired by the Director-General of Health and with involvement from a DHB Chair, PHARMAC Chair, NZHP Chair and an independent health governance expert

2. The programme is taking a **fundamentally different** approach to achieving the required benefits – we are no longer asking all DHBs to migrate to a single system (but are retaining that possibility for the future)

3. FPIM is **already operational** at four DHBs and the outstanding issues are being resolved – we are not starting from scratch

4. Operationalising of the target service model for FPIM is already **underway**

5. This **business case** includes DHB implementation costs and change planning requirements

6. A **benefits realisation plan** supported by strengthened governance has been developed

7. There are **reduced risks** and inter-dependencies in the proposed approach

8. We are recommending an appropriate funding contingency informed by a Quantitative Risk Assessment – **29% capital** and **15% operating.**

Next steps

Once all DHBs have made their decisions the next steps will be discussed with the FPIM Governance Board.

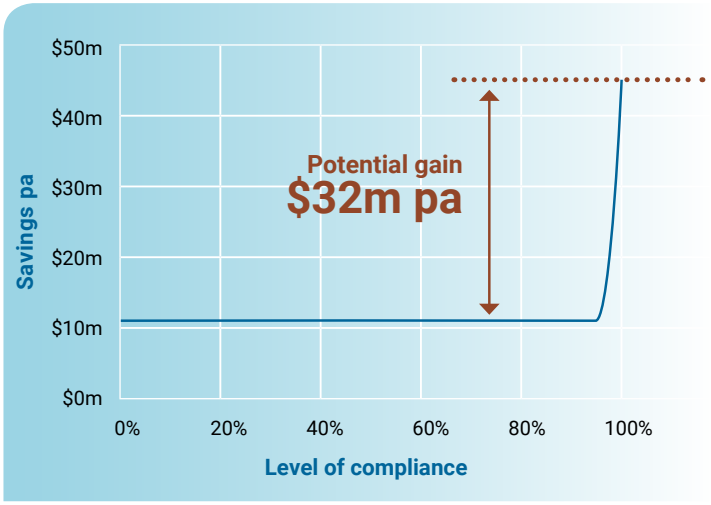
We will also develop a high-level integrated plan for the remainder of the 2019 calendar year. This will include the deliverables and dependencies between the three different elements of FPIM:

1. Business Case – six-month high-level design of the interfaced catalogue followed by an on ramp/off ramp for DHBs towards year-end

2. Programme – building the National Technology Solution (IT infrastructure) and preparing the Sector for change

3. Service – transitioning to the full service support model, developing missing functionality and enhancing key aspects of OAT service delivery.

While Cabinet will make the final decision on the next steps for the programme in May, it is expected Cabinet will make a decision soon on releasing early funding to start the infrastructure work and the high-level design.



NATIONAL CATALOGUE

Gaining value from the PHARMAC model for medical devices requires a national catalogue used by all DHBs for procurement, common data standards for procurement-related data at all DHBs, a national procurement data repository for analysis and reporting, compliance of procurement against the national catalogue for close to 100% of Sector at the point of purchase. A high compliance level is required to enable effective marketshare agreements to be negotiated.

BENEFITS

The FPIM programme has two primary objectives:

1 Address risks from end-of-life systems

At least 10 DHBs covering 73% of the country by PBF (and approximately 80% of the procurement spending) have immediate risk related to end of life finance, procurement, and supply chains systems.

These DHBs are all using Oracle and are relying on the FPIM programme to remediate these issues, they are:

- Bay of Plenty, Canterbury, Waikato, West Coast (which sit on the same platform), between them covering 27% of the country by PBF
- Auckland, Counties Manukau, Northland, Waitemata and Taranaki (which sit on the same platform) cover 40% of the country by PBF
- Southern DHB, which needs an application upgrade to address its systems risk.

The core finance, procurement, and supply chain systems have a wide reach into the operations of the DHBs. These DHBs are therefore increasingly at risk of systems failures or outages.

2 Achieve savings from procurement

PHARMAC manages the procurement of medical devices at a spend of $640 million pa across 388 suppliers.

PHARMAC assesses that 2% savings pa can be achieved on this total by DHBs purchasing from national contracts and conservatively estimates 7% savings pa when DHBs fully comply with these contracts – ie purchasing according to the full conditions and not procuring medical devices outside of these contracts.

This incremental increase of 5% represents a possible $32 million pa in cost avoidance across all DHBs for medical devices.

THE SERVICE

The first four DHBs – Bay of Plenty, Canterbury, Waikato and West Coast – went live on National Oracle Solution (NOS) on 2 July 2017.

While the programme has been in a centre-directed pause ever since July 2018, which has led to a number of constraints – particularly in a budget sense – NZHP has a responsibility to provide a fit-for-purpose service to its customers.

In this regard, there have been a number of positive developments with many service-related process and functionality enhancements underway.

FPIM Customer Group (FCG) established

The FCG, which is primarily constituted of Wave 1 CFOs, is designed to put the customer at the heart of FPIM. A full-day FCG workshop in mid-March mapped out the 16 priority bug fixes and system enhancements from a customer perspective.

It was agreed that from this point forward the prioritisation of Oracle Administration Team (OAT) development activity would be at the sole discretion of the FCG. The approvals for design changes still need to go through the established governance process.

This prioritised list of enhancements now informs the OAT's work plan through to the end of the calendar year and resource planning is underway to support this work.

OAT Transition Plan

It is not unusual for a programme team to transition to service delivery on an interim basis once a programme is complete. This is what occurred in FPIM when the first four DHBs went live in 2018.

However, the Sector needs to agree (outlined in the business case) and move to the final service delivery model quickly.

As such, a transition plan for the OAT is being reviewed by the first four DHBs and once approved NZHP will seek endorsement from the Governance Board. The transition plan will provide a roadmap of change activity, task prioritisation and resource planning. Resource planning and recruitment will be particularly important as some team members may want to be reallocated to the programme once the business case is approved.

REPORTING

Prior to the go-live in July 2018, the NOS Executive Steering approved the deferral of the implementation of NOS business intelligence (BI) reporting system, due to a number of factors, including capacity issues on the Wave 1 infrastructure.

Early feedback from Canterbury DHB on the impact of the deferral, resulted in NZHP initiating a review to investigate interim reporting options. Interim reporting facilities will provide the necessary reports required to support Wave 1 DHBs, until such time as the planned BI reporting is available (to be developed once the Business Case is approved).

Link Consulting (Link) was asked to deliver an analysis of the options available to provide more capable reporting that meets the needs of the DHBs for critical reporting services. Link interviewed Wave 1 stakeholders and concluded:

- The reporting challenges are different at each DHB, but there are issues for all DHB's that need to be considered
- The most pressing need is to meet Canterbury and West Coast DHB's requirements.

Four options are on the table, with the recommendation in the first instance to install a limited BI solution, on separate infrastructure. These options were reviewed by the FCG in March. The recommended option requires an agreed approach to data security, which was reviewed and approved in principle on 2 April 2019.


Phil Unsworth,
Service Delivery Manager

> In a short period of time, I've engaged with a number of our key stakeholders. These conversations have provided great insights into how we could build our services for the future.

Investing in expertise

NZHP welcomed Phil Unsworth to the team as Service Delivery Manager to lead the service, also known as the Oracle Administration Team.

Phil brings a wealth of experience around strategic customer service, change management, people leadership, stakeholder engagement, and strong ICT service management capabilities.

He has developed and led some of the most advanced technology programmes in New Zealand, including leading the team at Spark responsible for return to service, communication and executive review. As a member of the Spark Service Delivery Leadership team, Phil was involved in introducing Service Level Management practices across the wider business.

Prior to joining NZHP, Phil was Manager Customer Services at the Waikato District Health Board, where he: drove a review of the ITSM toolset and processes; introduced an IT Customer portal to lift utilisation of self-service and automated functions, reducing cost of operation and enhancing customer experience; and, developed a strategic plan for IT Service Management across the DHB.

Placing emphasis on relationships and engagement, Phil has motivated teams to superior levels of achievement by focusing on behavioural coaching methodologies and role modelling best practice. His passion for service excellence ensures a sound understanding of what is needed to line up the needs of customers, suppliers/partners and stakeholders to achieve great results .

Phil's commitment to delivery and customer service will ensure the delivery of service support for FPIM. Once stable, Phil will align the operation with ITIL Service Management processes, introduce structured SLA Management with customers and vendors and utilise the experience he gained during the Telecom/Chorus separation to create a stakeholder customer service framework and culture.

PUTTING CUSTOMERS FIRST

In the lead up to June, Phil will take over from Angela Morley who has been fulfilling the role OAT Manager, having previously been the Programme Director.

Phil has already conducted a series of customer meetings in the Bay of Plenty, Waikato and Canterbury DHBs. A wide customer group was engaged including CFOs as well as finance, procurement, supply chain and IT leads.

Q&A

The FPIM National Catalogue Solution

Don't we already have a national catalogue?

We have two similar, but different, catalogues. The first is a consolidation of DHB spend information and an associated DataHub team manages it. This initiative started with Health Benefits Limited. It morphed, grew and moved to healthAlliance for a number of years, to support the organisation's procurement strategy development and procurement planning. For the last 24 months it has been with NZHP.

All DHBs provide monthly extracts in their unique formats and this is loaded into DataHub. DataHub takes the feeds from all 20 DHBs, cleans the data, consolidates it, and matches spend information to items and suppliers. Both NZHPs' National Procurement and PHARMAC use this spend information to support their procurement planning and strategy development. In addition, and based on NZHP National Procurement contracts, a price schedule is provided to DHBs on a monthly basis.

However, because it is really just an aggregation of DHB information in their current format – with no change management or data standards being applied across DHBs, – there are a lot of data quality issues, including:

- Variable data from the 20 DHBs
- Missing data, varying from a full month's data from some DHBs or just missing fields
- When data at a DHB changes, eg new items added, it is time consuming to find the supplier and match to new item
- Data cleansing and matching is a lengthy process with many manual steps (even though the DataHub uses rules to match some items automatically where possible).

Because of this, of the $5 billion pa health spending received by the DataHub only $1.3 billion can be matched at category or supplier level. Put another way, around $3 of every $4 dollars spent by DHBs on goods can't be accounted for at a national level.

> Of the **$5 billion** pa health spending received by DataHub only **$1.3 billion** can be matched at category or supplier level. Put another way, around **$3 of every $4** spent by DHBs on goods **can't be accounted** for at a national level.

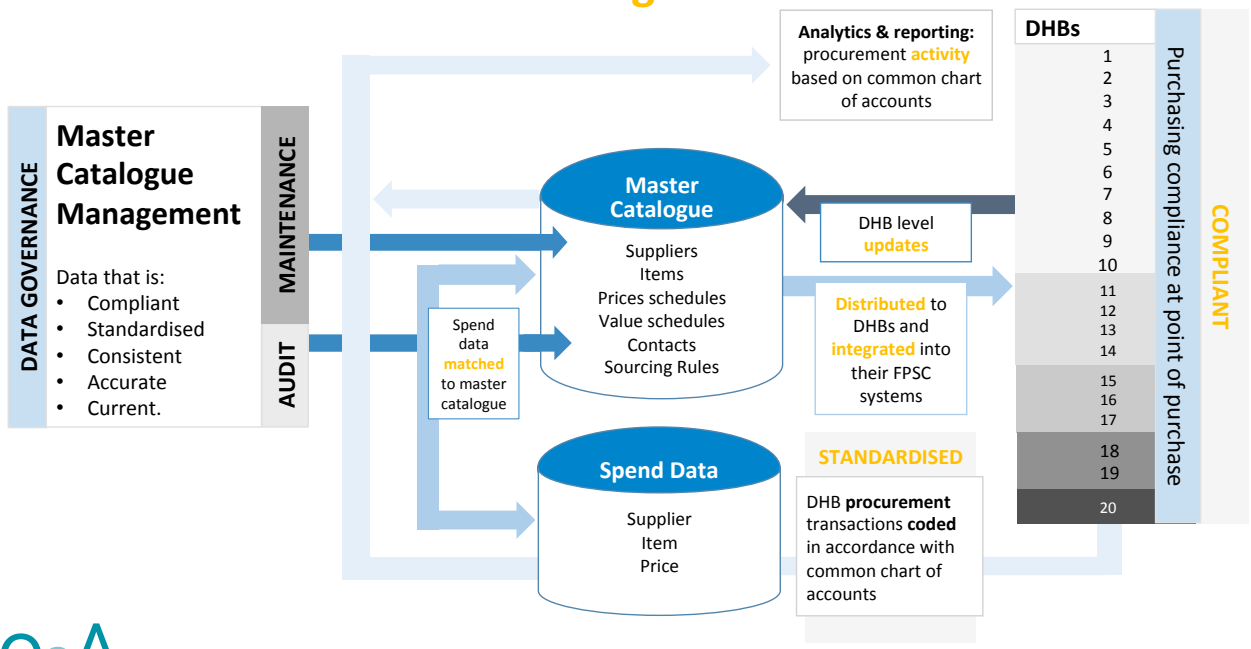
The FPIM National Catalogue is a component of the FPIM National Catalogue Solution, which was constructed to initially support Wave 1 DHBs. This was created from a combination of PHARMAC national contracts, NZHP National Procurement contracts, contracts which were common across more than one of the Wave 1 DHBs, and contracts specific to a single DHB, it contains:

- Suppliers
- Items/products procured by Wave 1 DHBs
- Supplier contracts
- Sourcing rules
- Price and value schedules.

It contains 44,000 items and, importantly, it is set up according to common data standards. This required a significant data cleansing process and change management within the Wave 1 DHBs.

This will be built out as more DHBs join FPIM to replace DataHub over time. It should be noted that even with significant improvements in the DataHub data quality and matching, it does not meet PHARMAC's procurement requirements, which include purchasing compliance, ie purchasing on contract.

Master Catalogue Solution



Q&A

High-level design

Why do we need to spend more money on the national catalogue, can't we just send out what we've already got rather than doing the design work?

Building a national catalogue on its own achieves little. What is proposed is a complex piece of work that will look at all the requirements to generate value from the PHARMAC's market share procurement model applied to medical devices. These include:

1. A national catalogue used by all DHBs for procurement

2. Common data standards for procurement-related data at all DHBs

3. A national procurement data repository for analysis and reporting, eg reporting on transactional information

4. Compliance of procurement against the national catalogue for close to 100% of sector at the point of procurement. A high compliance level is required to enable effective market share agreements to be negotiated.

Simply building and publishing a national catalogue achieves none of the above.

Some of the work included in the high-level design includes:

• How the master catalogue will be configured and managed on the shared Oracle system proposed for use by 10 DHBs. This will include how new items are added, existing items are updated, and how obsolete items are retired. It will also consider expanding the use of standards (eg GS1)

• How the catalogue details will be distributed to the other DHBs from a technology perspective. It will need to take into account the updating of catalogue items on Tech One, JD Edwards, and Oracle systems. This will include the technical approaches and how the respective data will be updated

• How compliance against the medical device contracts negotiated by PHARMAC and national procurement contracts will be managed at DHB level. This will need to cover how this will occur in the various systems and most importantly the incentivisation and business rules to drive compliance

• How the reporting will occur, including DHB transactional data to be collected, the mechanisms for collecting this data, mapping to the shared catalogue and how the central reporting repository will operate. **Note:** compliance must come at the point of purchase and reporting must be in real time. There is no point collecting reports on a monthly basis for example if they show non-compliance (at that point it is already too late)

• How the common Chart of Accounts will operate and be used as intended by all DHBs

• How the governance, including data governance, and benefits realisation will operate.

Because of the need to engage with different DHBs' operating systems, a multi-disciplinary working group of DHB representatives reflecting diversity of DHB situations will be convened. This will cover the expertise required to cover the varying systems and approaches taken in the sector. It will need to cover the varying needs of the DHBs using Tech One, JD Edwards, or Oracle, as well as key stakeholders, including PHARMAC and the Ministry of Health.

NZ HEALTH PARTNERSHIPS
Hono Ōranga Aōtearoa

OUR VALUES

Transparency

We work in an open, honest and collaborative manner to keep our stakeholders and all team members informed of our progress in a timely manner.

Respect

We are always mindful of the needs of our stakeholders and respect the views and experience of others.

Accountability

We are accountable for our performance through rigorous and regular analysis at both the individual and company-wide level.

Commitment

We deliver on our promises, working together to exceed expectations and taking ownership to achieve quality outcomes.