

# NHS Supply Chain Value Based Procurement Project Report and Findings

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## Glossary

|       |   |
|-------|---|
| CaPA  | Clinical and Product Assurance team                       |
| CTSP  | Category Tower Service Provider                           |
| GIRFT | Getting it right first time - National Clinical programme |
| HCSA  | Health Care Supply Association                            |
| NHSI  | NHS Improvement   |
| PTOM  | Procurement Target Operating Model                        |
| VBP   | Value Based Procurement                                   |



## 1. Executive Summary

In May 2019, NHS Supply Chain commenced a project designed to review the potential benefits and practical application of Value Based Procurement (VBP), as a complimentary approach to support existing Category Tower Service Provider (CTSP) procurement strategies.

The project objectives include;

- Establishing a series of pilot projects that could be used to test the concept of VBP in practice
- The production of a scalable model for the potential deployment of VBP
- Provide awareness of the potential benefits and application of VBP across NHS Supply Chain.

This was achieved by adopting a three-stage approach:

1. Focusing on designing the project, applying a methodology for recruitment and implementing a range of pilots that would form the basis of the study.
2. Monitoring the pilots to review progress and scoping requirements for the transition to business as usual.
3. Utilising the experiences of the project to create guidance documents to support the adoption of VBP across NHS Supply Chain.

This report shares the approach, outcomes and observations from the pilot study phase of the project; offers an outline of the proposed approach for progressing the introduction of VBP for NHS Supply Chain, NHS buyers and suppliers; concluding with the potential implications for VBP post COVID-19 and how progress towards adoption of VBP can be maintained.

### Summary of the Key Findings from the Work to Date:

- The project focused on establishing a range of small-scale pilots, during which benefits could be recognised within 3-6 months from the start of the project. The pilots were used as a means of demonstrating the practices and principles of VBP. This was achieved with engagement of 20 strategic suppliers of NHS Supply Chain and a blend of SME's. In total 27 proposals were received and 13 taken forward as viable pilots.
- Clinical feedback from the pilots suggested that the forecast expectations of improved patient care and operational efficiency were delivered. However due to the Covid-19 outbreak it has not yet been possible to validate with all NHS Trust Finance representatives how these benefits have been accounted/reported against Trust cost or efficiency improvement plans.
- Despite the varying range of products and solutions covered by the pilot programme, the study showed that there were predominantly five categories in which clinical and financial value was created:
  1. Reduction in product consumption
  2. In-patient to day case
  3. Change in patient pathway from an acute to a community setting
  4. Operational productivity
  5. Reduction in infection.



- From a sustained programme of stakeholder engagement throughout the project, it became apparent that there is an emerging interest in the benefits of the potential application of VBP in the NHS from Clinical, Finance and Procurement communities.
- Assurance of delivery is a key area highlighted by Finance Directors that needs to be addressed to gain greater traction for the approach. As a result, a VBP assurance framework has been developed, which can be used as a guide to engage and support both buyers and suppliers to help resolve this challenge.
- VBP has the potential to offer Healthcare Executives ‘choice’ (Figure 1 pg. 11) over and above traditional procurement product price reduction strategies.

## 2. Introduction

With increasing demand for healthcare set against a backdrop of limited financial resources, there remains ongoing need for NHS procurement professionals to deliver sustainable year on year savings across the NHS.

As a means of addressing this challenge, NHS Supply Chain is considering various complimentary approaches to support its existing procurement strategy. This included funding a project designed to review the potential benefits and practical application of Value Based Procurement (VBP).

In adopting a VBP approach there is a shift in emphasis from reduction in product costs (which typically account for between 10-15% of procedure costs), to working with industry to consider technologies/products or solutions that can improve patient outcomes, increase efficiency and reduce the total costs within the patient pathway.

The concept and practice of Value Based Procurement has been in development since circa 2014 across global Health Systems and the Medical Device industry. More recently from within the NHS, there is an emerging recognition of “value”, for example from the NHS Finance function, as highlighted in the publication; “NHS finance, designing our future” (December 2019) which states:

*“The NHS finance function will lead the way in developing a system wide understanding of value, that does not just consider cost but takes a much more rounded view of the impact of that expenditure, considering the outcomes achieved for the patient and the system.”*

Despite the pockets of good practice and application of VBP internationally, to date VBP is largely still in its infancy. This report seeks to create momentum, by conveying an understanding of the existing challenges and opportunities for VBP and proposing potential solutions for both buyers and suppliers to support the mainstream adoption of Value Based Procurement.

It is the authors belief that Value Based Procurement offers an opportunity for both buyers and suppliers to create change. Enabling an environment that supports the move from a traditional adversarial, transactional relationship, where contribution is measured on the achievement of one-dimensional savings and sales targets; to a progressive, collaborative and strategic partnership, based on the delivery of shared objectives aligned to the transformation of healthcare.



## 3. Project Objectives and Approach

### 3.1 Objectives

The project objectives included; establishing a series of pilot projects that could be used to test the concept of VBP in practice; the production of a scalable model for the potential deployment of VBP and provide awareness of the potential benefits and application of VBP across NHS Supply Chain. This was achieved through the adoption of a three-stage approach:

1. Stage one focused on designing the project and applying the methodology for recruitment and implementation of the pilots that would form the basis of the study. Stakeholder engagement from within the NHS and industry was a key activity, gaining an insight of their views and suggestions relating to the practical application of VBP. This continued and grew throughout the project, with increasing interest in the project from both NHS and the Health Care Medical Device Industry.
2. During stage two, the pilots were monitored to review progress and work commenced on scoping requirements for the transition to business as usual, such as understanding the mechanisms for contracting for value.
3. The final stage was associated with using the experiences of the project, to create guidance documents to support CTSPs and NHS Supply Chain commercial teams in adopting VBP as a complimentary approach to current procurement practices.

This report outlines the project approach, observations and learnings for the study. It should be noted that the COVID-19 outbreak has had a significant impact on the final validation from the Finance community of the findings from a number of the pilot projects.

### 3.2 Overview

With multiple stakeholders across the healthcare industry and the potential scope for interpretation, the first stage for this project was to set out a clear definition of VBP, created by NHS Supply Chain with input from industry, academia and other healthcare systems:

*“An approach that delivers tangible, measurable financial benefit to the health system over and above a reduction in purchase price; and/or a tangible and measurable, improved patient outcome derived through the process of procurement (tendering, contracting, clinical engagement and supplier relationship management).”*

The following principles were adopted for the pilot phase of the project:

- **Start small** by selecting pilot projects that clearly have a 1:1 relationship between adoption of the supplier proposal and a tangible benefit for the health system.
- **Ensure stakeholders are ‘bought in’** to the project objectives and measures. The primary stakeholder groups being clinical, finance and commercial.
- **Provide support** with the use of basic tools such as process mapping, to establish current and desired state and the cost of each key stage.
- **Work with suppliers** to ensure they are aware of the need to demonstrate how they will provide assurance to Trusts, that the cost-saving proposals will be delivered.
- **Focus on a small number** of readily available key measures, to demonstrate benefits achieved.
- **‘Prove and move’ quickly** onto the next project, building on learning from the experience.



### 3.3 Pilot Selection

The recommendation from NHS Supply Chain was that the recruitment of the pilots should focus on engagement with 20 strategic suppliers and a blend of SMEs; with the objective of establishing between 15-20 small scale pilot projects.

Due to the short-term nature of the pilot projects and the fact that many of the potential solutions could be covered by existing framework agreements, it was deemed unnecessary to undertake any formal procurement exercise to identify the pilot projects.

Selection of the pilots was based upon the supplier being able to demonstrate that their proposals had a direct (1:2:1), evidence based relationship, in delivering tangible and measurable cost savings within a three to six month period of adoption by the customer (NHS Trust or Healthcare system).

To facilitate this, a guidance document was created (Appendix A) and terms of reference for the pilot project (Appendix B) issued to participating suppliers. The ambition was that the pilots would commence by the 1 July 2019.

There was a largely positive response to the call for proposals, with a total of 27 received over the course of the project. However, some concern was expressed by a small number of large multi-national suppliers, who declined to participate, as they believed that the timescales in which to prove the efficacy of their solution was too restrictive.

Initially a panel comprising of the VBP project lead, members of the NHS Supply Chain strategic supplier management team and Clinical and Product Assurance (CaPA), met with all the suppliers submitting suggestions. Project aims and objectives explained, and project proposals reviewed.

An advisory group was also established to support the assessment process and to provide guidance, expertise and input throughout the project. Membership of the group comprised of senior representatives from NHS Supply Chain, CTSPs, HCSA, the "Shelford Group", GIRFT, CaPA, NHSE/I, ad hoc members as required.

14 proposals were not taken forward based on:

- Insufficient supporting evidence.
- Insufficient time in which to adequately demonstrate the benefits within the project timescales.
- Unrealistic claims and lack of relevance to customer needs.

13 proposals met the necessary criteria and covered the following product categories:

- Capital Equipment
- Cardiology
- Endoscopy and Endourology
- Ward Based Consumables
- Wound Care.

It was decided in agreement with the suppliers and NHS Trusts to anonymise reporting on the pilot studies. This created a safe environment, in which to openly explore the challenges and opportunities for in adopting VBP. The pilot projects were phased in over a 7 month period from July 2019 to January 2020.



For one pilot, despite best endeavours, it was not possible to locate a suitable NHS site for the study. Therefore, it was agreed to collect retrospective information from an existing customer and include as part of the project.

For another, a prospective pilot site was identified, but due to circumstances beyond the control of the supplier and the project team, authorisation to proceed was not received until the first week in March. Subsequently all progress has stopped due to COVID 19. However, with sufficient engagement within the Trust, we have an opportunity to re-establish the project on return to BAU.

## 4. Project Outcomes

The pilots undertaken for the project were largely small scale and ranged in complexity from solutions that reduced product consumption, through to more complex service solutions requiring investment in service provision to achieve the ROI.

The study showed there were five main areas in which clinical and financial value is created:

1. Reduction in consumption - A product, which is higher quality or innovative, results in lower like for like consumption of this product type.
2. In patient to day case - A product results in a pathway change, where a procedure changes from inpatient to outpatient or similar.
3. Change in patient pathway - A product or solution that enables migration of patients from an acute to a community setting.
4. Operational productivity - A product or solution or supporting service provided by the supplier enables the Trust to improve operational productivity and efficiency.
5. Reduction in infection - A product or solution causes a reduction in infection for a specific procedure or patient cohort.

Feedback from departmental clinicians captured through the pilot projects demonstrated that the solutions implemented, whilst small scale in nature, did meet the forecast expectations; delivering a positive impact on patient outcomes and improved efficiency. Below is a summary of the outcomes from the pilots:

| Reduction in consumption  | "In patient" to day case  | Change in patient pathway  | Operational productivity  | Reduction in infection  |
|---|---|--|---|---|
| <ul style="list-style-type: none"> <li>• 2 pilots demonstrated ROI based on higher quality product, requiring reduce use of existing products.</li> </ul> | <ul style="list-style-type: none"> <li>• 3 different solutions enabling day case surgery with average LOS reduction of circa 3 days, improved theatre efficiency and patient experience.</li> </ul> | <ul style="list-style-type: none"> <li>• Solution to maximize the opportunity for 10 days per patient enabling antibiotics to be administered at home, rather than in an acute setting.</li> </ul> | <ul style="list-style-type: none"> <li>• Transnasal endoscopy equipment – improved patient experience, clinical outcomes and demand/capacity management.</li> </ul> | <ul style="list-style-type: none"> <li>• Reduction of infection in high risk cardiac patients.</li> <li>• Reduced CAUTI rates.</li> </ul> |

Financial validation of the operational benefits realised by the pilots has proven problematic due to the reduced access to NHS trust finance teams as a result of the impacts of the pandemic on the system. However, monitoring progress of the pilot projects highlighted a number of issues:

- Different day rates were applied by Trusts to Length of Stay (LOS), with figures ranging from £220 per day to £450, and variations in other operational costs, such as theatre time. If for example LOS is determined as a metric for VBP, then to provide consistency it would be prudent to establish a standard notional value.
- How to account for the benefits delivered. Where the outcome of a project is a reduction in product consumption<sup>(1)</sup>, benefits are straight forward to recognise and translate into cost reduction savings and are an easy point of entry to apply a VBP methodology. Opportunities that explore solutions that enable in-patient procedures to day case surgery<sup>(2)</sup>, are projects to consider as there is undisputable correlation between the application of the solution and the outcomes achieved. However, solutions that introduce pathway redesign<sup>(3)</sup>, improve operational productivity<sup>(4)</sup>, or reduce infections<sup>(5)</sup>, offer significant potential benefits, but are more difficult to recognise as cost reduction savings and require access and support from Trust Finance representatives in order to help navigate the NHS Finance regime, assisting in the production of a road map for each savings classification. Where the project team did have access, the Trust finance lead signposted, for example, that there was a potential mechanism to account for the costs of infections, by offsetting the reduction in patient numbers against costs of allocating them to premium beds\* (\*additional bought in capacity).
- Learning from the NHS Supply Chain VBP pilot project has also identified that projects of the type described in the previous paragraph (3,4,5), require Senior Executive support to secure the necessary resources and co-operation of on-site teams. Essential too, is the ability to 'ring fence' and attribute improvements made to the introduction of the supplier's solution. Timescales to recognise benefits can range between 3-12+ months depending on the complexity of the objectives within the contract.

## 5. Stakeholder Engagement and Observations

### 5.1 Finance

"Value" is an emerging theme incorporated in the development of the NHS Finance (as referred to in "NHS finance, designing our future" (December 2019) pg 2). And is very much reflective of the feedback from the various Directors of Finance canvassed for their views and support for the project.

There is recognition that over the years NHS procurement have sought to maximise their buying power and have achieved considerable cost savings through price reductions. However long-term, there is a finite limit to the level of savings achieved though this method.

A recurring opinion expressed, was that VBP would be embraced more widely if proposed solutions can be proven to offer tangible and measurable benefits. 'Tangible', defined by the group, as those solutions that can offer a hospital (or Sustainable Transformation Partnership (STP)/Integrated Care System (ICS)), the capability to make a material change to improve patient outcomes, patient flow and or reduce costs.

In respect of the materiality of the benefit, there is also a need to recognise that whilst the introduction of VBP means that there will be a holistic financial evaluation, price will inevitably remain a fundamental component of the calculation of whole life costs.

If you consider a fictitious example, whereby there are three bids placed for a contract for 1000 units. The current price paid is £1000, three bids have been received. Bid 1 is £950 but offers no

pathway benefits. Bid 2 is £1000 but offers £250k of efficiency benefits. Whilst Bid 3 is £1200 and offers £500k of efficiency benefits.

Applying the VBP principle in isolation, would suggest that Bid 3 would offer the greatest level of return. However, the reality is this would result in an immediate cost pressure to the NHS organisation, for a modest additional rate of return. From the perspective of an NHS Trust, bid 2 would offer the lowest risk solution.

Therefore, suppliers will need to develop commercial strategies with sufficient ROI to incentivise NHS organisations to adopt VBP solutions.

Finally, stakeholders also stated, there was a need for suppliers to offer some form of “assurance” that forecasted outcomes, productivity efficiencies and savings would be delivered.

To address this, utilising the experiences of the pilot studies, an indicative Value Based Procurement assurance framework has been created. The intention is, that this could be tailored and applied to meet the needs of the customer, product category and complexity of the project.



## 5.2 Value Based Procurement assurance framework

## Supply Chain

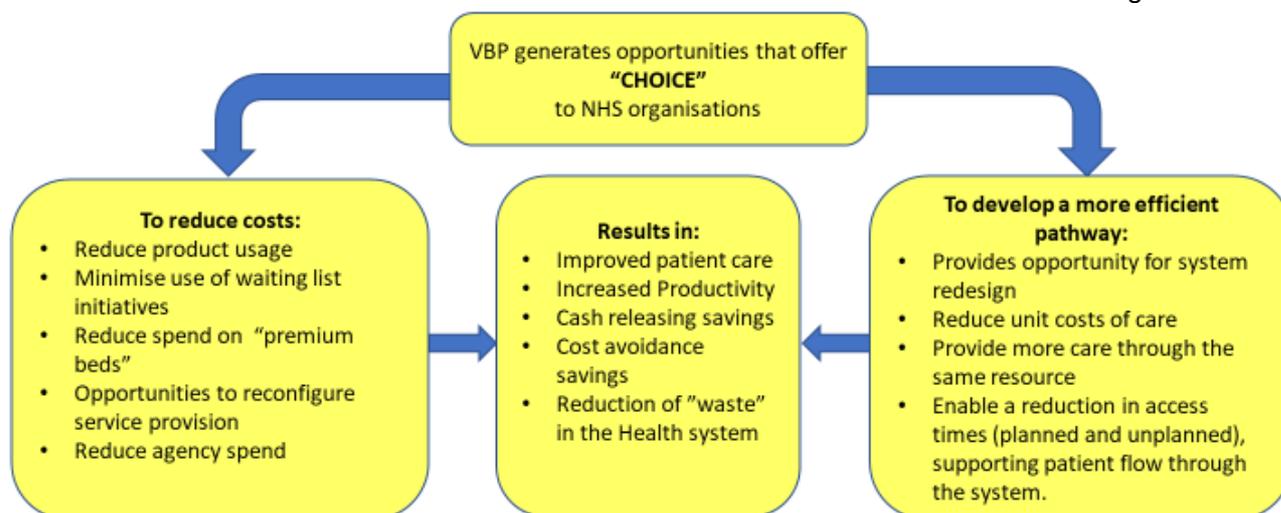
The framework is intended to offer an overview of the approaches, obligations and remedies to afford the necessary degree of assurance that the contract will deliver a successful outcome and mitigate the issues raised by the Finance community. It seeks to offer a balance between risk transfer to the market and the need to incentivise suppliers to act as partners in service delivery.

|                    |  | Savings achieved through:  |  |   |  |                           |
|--------------------|--|--|--|---|--|---------------------------|
|                    |  | Reduction in consumption   | In patient to day case   | Operational productivity  | Reduction in infection/revisions   | Change in patient pathway |
| Value delivered by | A product which is higher quality or innovative results in lower like for like consumption of this product type.   | A product and supporting solution, that enables treatment of a condition to be changed from one requiring an inpatient stay to a day case. Resulting in increased efficiency and measurable improvement to patient outcomes and experience.  | A product and supporting solution, that introduces a tangible productivity benefit, in terms of theatre efficiency releasing capacity for additional procedures or ward capacity through a reduction in LOS.   | A product and supporting solution, that can demonstrate a direct correlation between its adoption and application, and a reduction of infection rates for a specified procedure or patient cohort and resulting in measurable improvement to patient outcomes and experience.   | A product and supporting solution, that enables migration of patients from an acute to a community setting, resulting in reduction in total system costs and measurable improvement to patient outcomes/experience.  |                           |
| Approach           | <b>Quarterly reviews</b> - On the basis that supplier claims are immediately evident in an operational environment, a simple approach to data collection based on pre contract volumes compared to existing should be sufficient to provide the necessary assurance that the supplier claims are being achieved. | <b>Monthly reviews</b> - Following an agreed transition period to allow sufficient time for clinical training, supplier claims will be evident that the procedure can be conducted as a day case surgery. Base line data relating to patient numbers, theatre activity, use of released capacity and income flows should be monitored monthly. Patient outcome data recorded quarterly.  | <b>Monthly reviews</b> - Actions to be agreed by the Trust and Supplier to "ring fence" Supplier claims of step changes to productivity, improvements to be measure against agreed base line data and targets as set out in the tender specification.                  | <b>Quarterly reviews</b> - Actions to be agreed by the Trust and Supplier to "ring fence" Supplier claims of step changes to infection rates and measured against agreed base line data and targets as set out in the tender specification.   | Quarterly reviews - Trust/ICS/STP to agree supporting business case for community resources and financial plans for utilisation of released Acute capacity. Actions to be agreed by the Trust and Supplier to support migration of patients to the proposed pathway. Base line activity measures established and targets as set out in the tender specification. |                           |
| Obligation         | <b>Trust</b> - To use the products to the protocols agreed with the supplier.<br><b>Supplier</b> - to provide certified training to relevant parties on product usage and supply products to same standard as supplied for product evaluation.   | <b>Trust</b> - To use the products/solution offered by the supplier to the agreed certified protocol.<br><b>Supplier</b> - to provide certified training to relevant parties on product usage and supply products to same standard as supplied for product evaluation, ongoing case support as and support in performance data collection as agreed with the Trust.  | <b>Trust</b> - To use the products/solution offered by the supplier to the agreed certified protocol.<br><b>Supplier</b> to provide the relevant training and ongoing support to operational staff and support in data collection as agreed with the Trust.            | <b>Trust</b> - To use the products to the protocols agreed with the supplier.<br><b>Supplier</b> - to provide certified training to relevant parties on product usage and supply products to same standard as supplied for product evaluation, ongoing case support as and support in performance data collection as agreed with the Trust.   | Trust/ICS/STP - To establish support services/protocols in line with agreed project plan.<br>Supplier - to provide the relevant training and ongoing support to operational staff and support in data collection as agreed with the Trust.   |                           |
| Remedy             | Standard terms within the contract that allows termination of the agreement on the basis of material breach i.e. the product is failing to deliver the claims specified.   | <b>Product failures</b> - Supplier responsible for replacement products and % of cost of care (TBA)<br><b>Performance failures</b> - The supplier would not be held liable for performance failures where the Trust Clinical and Operational Teams has failed to follow the agreed certified protocols, but would be liable for the provision of free replacement stock and a % of lost earnings to the Trust should the protocol be deemed to be incorrect. Suppliers to incentivise product adoption through price volume discounts based paid as annual rebate. | Responsibilities must be clear and accountable. Remedies for underperformance agreed % reduction in product price, incentive for supplier is overperformance could include % increase in purchase price or guaranteed extension to existing contract of 12, 24 months. | Responsibilities must be clear and accountable. Remedies for underperformance to include FOC replacement of products required for revision surgery/treatment of infection and % contribution to cost of procedure. Incentive for supplier for overperformance against targets could include % increase in purchase price or guaranteed extension to existing contract of 12, 24 months. | Responsibilities must be clear and accountable. Remedies for underperformance agreed % reduction in product price, incentive for supplier is overperformance could include % increase in purchase price or guaranteed extension to existing contract of 12, 24 months.   |                           |

### 5.3 Summary of Finance feedback

Interpreting the feedback suggests that VBP has the potential to offer healthcare Executives “Choice,” over and above the outputs of existing procurement product price reduction strategies.

Figure 1



The Finance community suggested to fully maximise the potential benefits of VBP, solutions would ideally need to be delivered at scale through STP/ICS. Going on to state that any financial modelling, in terms of savings, should be considered on a whole health economy basis. The rationale being, as a change in an Acute setting could have unintended consequences on increasing costs within the Community Sector or for Commissioners.

Experience through the pilot programme demonstrated that Senior Finance Executives are receptive to VBP as a positive initiative and have a key role in leading and supporting VBP activity and providing access and engagement of Operational Finance. This latter group are essential as the VBP process relies on accurate, detailed, pathway costing information for the creation and validation of process and savings road maps for VBP projects.

To raise awareness of VBP, NHS Supply Chain will continue to engage and work with the NHS finance community to raise awareness of VBP and maximise the engagement within NHS Finance.

### 5.4 Procurement feedback

Category Tower Service Providers (CTSPs) and local Trust procurement departments have been highly successful at aggregating spend, introducing standardisation and maximising the benefits of competitive procurement exercises; but here too there is growing acknowledgement of the need to embrace complimentary approaches that could maximise the potential of procurement. Nationally, directors and senior procurement professionals across the Category Tower Service Providers have been highly supportive of the initiative and have played an active role in determining how Value Based Procurement could be incorporated with future procurement strategies and provided resources to support in the development of the pilots.

NHSE/I are supportive of the principles of VBP through the preliminary work that was carried out within an element of the Procurement Target Operating Model (PTOM). Future development is expected to focus on developing potential mechanisms where “value” can be measured and reported as an accepted organisational benefit/saving.



At a local level there has been emerging interest from several prominent Healthcare Procurement Leaders including the Group Procurement Director at Manchester Foundation Trust:

*“Greater Manchester has one of the most mature NHS Procurement Services in the NHS with a track record of delivery. In order to maintain this, we need to continue to look at new approaches to non-pay efficiency – VBP is definitely part of this.”*

**Simon Walsh MCIPS, Group Procurement Director Finance and Procurement Business Unit  
Manchester Foundation Trust, January 2020**

To progress the VBP agenda, will require procurement professionals to gain greater understanding of principles and practices of VBP and visibility of patient pathway costing and financial flows. Developing this knowledge, will assist in the identification of VBP related opportunities. An example of this in practice is highlighted through the experience of one of the pilot projects. Here it became apparent that prior to the introduction of the new procedure in the Trust, the costs for undertaking the procedure were in excess of the tariff received. Therefore, any efficiencies generated resulted in eradicating the loss of income.

Trust procurement are also critical players post contract award, in ensuring project deliverables are achieved through effective contract management.

## 5.5 Supplier feedback

A key tenet of VBP, is the need to develop effective partnership working with industry, based on trust and the pursuit of shared objectives in improving healthcare. Feedback during the project suggests that there has been some significant progress made in moving towards this objective.

Feedback from the pilot suppliers suggested that taking part in the project has been a positive experience. They believe that it has improved relationships and understanding of VBP at both a national level across NHS Supply Chain and Category Tower Service Providers and at the Trusts involved in the pilot projects.

That said, there was consensus from suppliers that there were a number of common issues that caused delay and challenges throughout the project, which when addressed, will assist in the effective delivery of future projects:

- **Agreement from all stakeholders** – It became evident during the process of recruiting the NHS Trust pilot sites, that for a VBP project to be successful, requires input and agreement from senior clinical, finance and procurement stakeholders, with the project aligned to the organisation’s objectives and procurement strategy. Linked to this is the need to have an Executive Level sponsor to help provide direction, unlock resources and give the project momentum.
- **Business continuity planning** – In several other instances, delay and confusion at the pilot sites in 2019, was caused by a lack of business continuity planning for temporary absence and permanent changes in personnel. For example, one of the projects encountered a three-month delay, resulted in a lost opportunity of in year savings.
- **Engagement with commissioners** – The commencement of a pilot changing from an inpatient procedure to a day case was delayed due to discussions over accounting procedures and potential changes to tariff funding. Thereby highlighting the need to have commissioners involved at an early stage of the process.

- **Competing priorities** – To prove the benefits of the solutions both clinically and financially a small number of KPIs were developed to minimise the impact of the project on the day to day operations of the Trust. However, given the highly demanding environment in healthcare, with a multitude of competing and conflicting priorities, securing commitment from clinical and financial stakeholders to provide information or supply data proved challenging across the majority of the pilot projects.
- **Interpreting value** – From the initial call for pilot projects, it became evident that there was a misalignment between the medical device industry and the NHS interpretation of value. Suppliers by the nature of the markets in which they operate, are highly adept at engaging with clinicians and understand the features and clinical benefits of their products. However, due to their lack of insight to the NHS finance regime, gaps existed in relation to how the operational benefits contained in the supplier's proposal, would deliver tangible and measurable financial, system and patient benefits.

If the Health Service believes there is benefit in the adoption of VBP, there is a need for the NHS to create a mechanism to communicate how it defines and measures value and for suppliers to quantify their claims in terms of benefits that resonate with wider Health and Care system customers. This will ensure a level playing field for all suppliers and enable them to construct relevant propositions that meet the needs of the NHS.

## 5.6 Clinical feedback

From the authors experience in developing and promoting VBP over the past 5 years, it is evident that VBP theory is supported by the clinical community and this has been reflected in the support and feedback generated across the pilots undertaken for this project.

General/operational managers were also supportive of the project; with a view from one of the pilots suggesting that the intervention of the suppliers could be considered as a key enabler driving change in their environment, releasing Senior Management and operational staff to focus on patient care.

The delivery of value, whether in terms of improvements to patient outcomes or productivity and efficiency, is wholly reliant on the support and engagement of clinicians (Surgical, Medical and Nursing) across the system. As a result, clinical engagement is embedded into the VBP model designed for NHS Supply Chain.

## 6. Proposed Scalable Model for the Adoption of VBP Within NHS Supply Chain

### 6.1 Overview

An internal toolkit for the use of Category Tower Service Providers (CTSP) was produced as an output of the VBP project. The design of which, is intended to be sufficiently flexible to enable it to be modified and applied to the varying product ranges procured through NHS Supply Chain. The document aims to give procurement practitioners:

- An understanding of Value Based Procurement and how it applies to the NHS.
- Appreciation of the sequence of events and components required to undertake a Value Based Procurement exercise.
- The ability to assess the merits of supplier value propositions.
- Insight to apply the methodology to fit within CTSP existing systems and processes.

Central to the guide has been the creation of two models, one can be applied to renewal of existing frameworks/contracts for product ranges; the other for the procurement of innovation.

The models have been designed to ensure that at the point of delivery, the Health System and Suppliers have with a clear understanding of the project objectives, measures, roles and responsibilities.

#### **Four stage model – Renewal of existing frameworks**

**Identify** – Clinical engagement is the foundation of VBP. Establishing a Clinical Advisory Panel (CAP) (potentially from existing established networks), will ensure visibility and commitment to the VBP exercise and draws up both expertise and information from various sources. Their role will be to consider the potential scope of the project and set high level objectives for a VBP procurement exercise. This will include guidance on the level of improvement required to deliver a material benefit to patient care, productivity and efficiency.

**Define** - Brings together a multi-disciplinary team (referred to as the Project Steering Board). Facilitated by procurement, the Board will proactively refine the objectives of the CAP into a document that can be used to assess supplier capabilities and capacity to fulfil the objectives of the project and provide the basis of the tender specification.

**Assess** - Considers the capacity and capability within the market to meet the needs of the organisation and provides a basis for informal dialogue with industry regarding potential solutions.

**Deliver** - Is the stage whereby the formal procurement process from specification development, through to evaluation, appointment of suppliers and creating the contract management structure. The Steering Board maintains responsibility for the project through to this point where accountability passes to an Operational Delivery Group (ODG), who will be responsible for working in partnership with suppliers to ensure benefits realisation.

Annual post implementation reviews conducted by the ODG, will be independently evaluated by the creation of an NHS Supply Chain VBP Community of practice (Comprising of NHS Clinical, Finance and Procurement representatives); with learnings and opportunities for recalibration of the process fed back into NHS Supply Chain and the Category Tower Service Providers.

## 6.2 Value Based Procurement and innovation

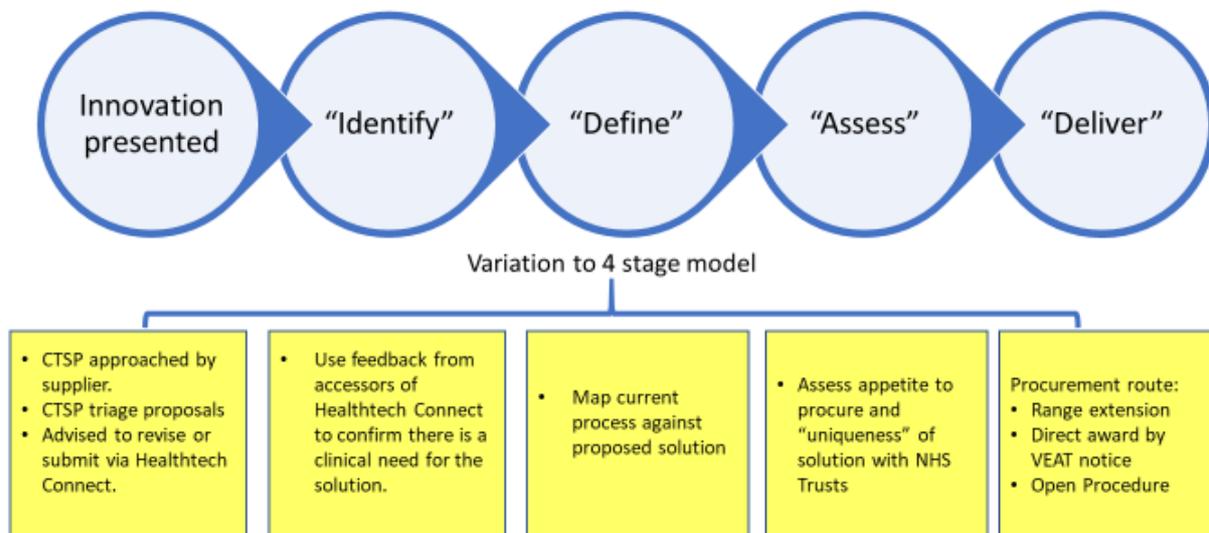
In the dynamic environment that exists within healthcare, with ever changing needs and opportunities, suppliers are continually striving to develop products and solutions that give them competitive advantage within the market.

To address this within the procurement toolkit a further model is offered that seeks to build on the processes and principles outlined above. The approach is created around the need for a VBP process to:

- Have a centralised mechanism for the submission and assessment of innovation.
- Enable the NHS to determine the “uniqueness” of the proposed solution.
- Provide flexible routes to market for product adoption.



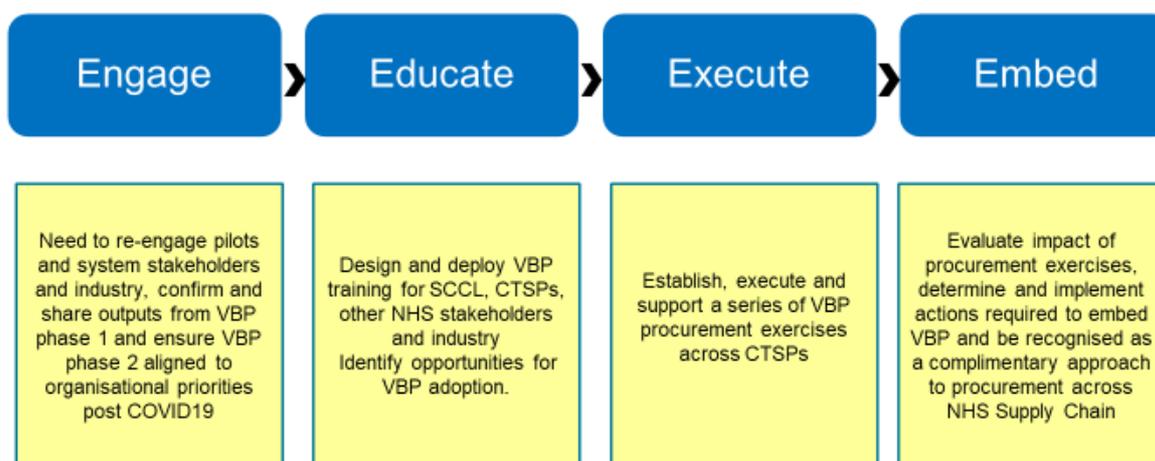
The diagram and sections below summarise the key variations to the earlier 4 stage model, with the full innovation model to be adopted located as Appendix C.



## 7. Next Steps

The application and adoption of Value Based Procurement in the NHS is still work in progress. As a result, NHS Supply Chain are developing a second phase to the project.

Incremental re-engagement with system stakeholders is critical in building on the support and momentum achieved during the VBP phase 1 project and will ensure that the project aims and objectives are aligned to the emerging needs of the NHS. The overarching approach to the phase 2 project is outlined below.



It is anticipated that subject to a return to business as usual, with access to NHS stakeholders, this second phase of the VBP journey should be completed during fiscal year 2021/22.



## 8. Guidance

The key to successfully approaching Value Based Procurement is to ensure a CLEAR and common understanding of “value”. The following table highlights the key principles to achieve this:

|                   | Buyers  | Suppliers   |
|-------------------|---|---|
| <b>Commitment</b> | Be clear that your organisation is committed to establishing partnership arrangements with suppliers and working towards the achievement of shared objectives.                | Be clear that your organisation is committed to establishing partnership arrangements with buyers and working towards the achievement of shared objectives.   |
| <b>Linear</b>     | Map out the clinical pathway and demonstrate the challenges to be addressed and the material change that is required to deliver tangible and measurable benefits.             | Map out the proposed clinical pathway and which stages your solution addresses, scale of benefits to be delivered and how.  |
| <b>Evidence</b>   | Be explicit on the level of evidence required for you to assess the capability and capacity of the supplier to meet the objectives of the contract.                           | Provide references to ‘real world’ evidence where your solution has delivered tangible and measurable benefits. Independent studies and randomised control trials have more credibility than industry sponsored reports.  |
| <b>Assurance</b>  | State the level of desired assurance required from suppliers and how this will operate.   | The NHS needs assurance that suppliers are committed to achievement of proposed benefits. State your intentions and avoid overstating savings claims/productivity benefits using fractions of time to forecast productivity gains.  |
| <b>Results</b>    | Establish a robust contract and relationship management strategy to ensure the delivery of the contract objectives that provide scope for innovation and partnership working. | State how the improvement in clinical/operational results, can be ringfenced and measured to show a direct correlation as a consequence of the introduction of your solution. Offer scenarios that show benefits at Trust and at scale for ICS’s. State how you will work in partnership to achieve the project objectives. |



## 9. Conclusion

### 9.1 Impact of COVID-19

Whilst it is difficult to accurately predict the impact of coronavirus on the health service, this situation could potentially accelerate the pace of change and adoption of VBP for several reasons:

- **Pathway efficiency and patient flow** – A central theme for VBP, is the drive to identify solutions that improve patient care, increase efficiency and reduce cost through an improved procurement process. Productivity and efficiency will be key priority areas for all health systems as they seek to address the backlog of patients caused by the cancellation of elective procedures.
- **Need to accelerate pace of innovation** – The NHS is now reaching out to the market in an attempt to identify new solutions, that can assist with existing capacity challenges of keep patients out of hospital, increasing speed of treatment if they are admitted and radically reducing re-admission rates.
- **Need for holistic solutions at scale** – The nature of the crisis has demonstrated the efficiencies that can be gained from collective working and sharing of resources across the NHS. It is perceived that post COVID-19, these new ways of working and co-operation between healthcare organisations will accelerate the creation of Integrated Care Systems. This could result in, amongst other things, the recognition and monitoring of whole life costing across patient pathways and removal of silo budgeting. Thereby removing one of the traditional financial barriers to the adoption of VBP solutions.
- **Supplier relations** – One of the key tenets of Value Based Procurement is the need for collaborative relationships between buyers and suppliers working towards shared objectives. It is evident from the “outbreak”, that many of the traditional adversarial ways of working have been overcome, and this rebalancing of relations can be used to positive effect in the development and promotion of NHS Supply Chain VBP strategy.

### 9.2 Maintaining momentum

The work undertaken by NHS Supply Chain has identified that there is growing interest in the potential that VBP could offer the health service in supporting the drive for improved patient care and productivity. The majority of the pilot studies indicated benefits can be derived from the approach, and potentially optimised if applied at scale across Sustainable Transformation Partnerships (STP)/Integrated Care Systems (ICS).

However successfully delivering a VBP strategy will require commitment in terms of:

- **Creating partnerships between buyers and suppliers** – The need for NHS Procurement and Suppliers to actively promote behaviours that promote transparency, trust and shared ownership for the delivery of objectives.
- **Clinical leadership** – Projects selected for VBP need to be identified and driven by clinical leaders who have desire and influence to support the necessary changes in practice. This will result in improved patient outcomes and increased productivity gains.
- **Finance** – VBP adoption would be accelerated with commitment from National System Leaders to the creation of a standard approach to the recognition of efficiency benefits.



Whilst at an operational level, engagement and support from the Finance Director community within NHS Trusts and STP/ICS is critical in creating cultures and processes that support and reward the pursuit of Value Based Procurement; which will be increasingly necessary to deliver pathway efficiencies, improved patient outcomes and sustainable cost reduction plans.

- **Procurement** – As a strategic rather than tactical approach to procurement, the effective deployment of the model requires supporting the development of Procurement professionals across a range of skills, such as relationship and change management skills; and promoting greater understanding of NHS finance in relation to clinical pathways and its impact on whole life costing.

The application and adoption of Value Based Procurement in the NHS is still work in progress. The learnings from this project, coupled with the development of guidance for buyers and suppliers, aims to provide the basis to maintain momentum and encourage the development of further case study material. This will build a deeper and broader understanding and evidence base of how value can be created through procurement.

## 9.3 Conclusion

As we move to a “new normal” in a post COVID-19 world, it is the authors assertion, that the adoption of VBP or some similar hybrid approach, that facilitates commitment from NHS stakeholders and industry partners, is critical in delivering sustainable healthcare for the 21<sup>st</sup> century. In reflecting on the past Darwin’s suggestion over 150 years ago this is highly relevant to the situation we face:

*“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change, that lives within the means available and works co-operatively against common threats.”*



## Appendix A

### Project Scope



The ambition is for pilots to commence in July and run for three months. Suppliers may indicate if you have a preferred customer you would like to partner with to run the pilot or if assistance is required via the CTSP network in finding a suitable site.

Progress will be measured and reported on a monthly basis to the SCCL Executive Team.

Initial meetings are scheduled to be completed by the 31<sup>st</sup> May and projects selected by the end of June.

The following pro-forma is designed to help suppliers capture the key information, which when finalised will be reviewed by a panel of advisors consisting of Health Service Clinical, Commercial and Financial representatives. It would be helpful if suppliers could complete and return the information as a draft prior to the initial sessions planned w/c 20<sup>th</sup> and 28<sup>th</sup> of May, as this will be used to frame the discussion on the day and highlight any areas in which your proposals can be developed further.

Should you require any further assistance in completing the document please don't hesitate to contact either [brian.mangan@supplychain.nhs.uk](mailto:brian.mangan@supplychain.nhs.uk) or [Amy.Hoath@dhsc.gov.uk](mailto:Amy.Hoath@dhsc.gov.uk)

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Value Based Procurement (VBP) Project Lead  
Mobile: 07906 113065

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### SCCL Value Based Procurement Pilot Submission Guidance



|  |   |
|--|---|
| Supplier   |   |
| Product/offering name: title                             |   |
| Brief description  |   |
| Overview of benefits                                     | Please use bullet points to highlight the Financial and Clinical benefits of the proposal   |
| Evidence - Reference                                     | Please state any references to research case studies that validate the benefits stated above  |
| Proposed Trust/customer for the pilot                    | Please indicate if you have a preferred customer you would like to partner with to run the pilot or if you require assistance in finding one                |
| Proposed scope of the pilot (Number patients/procedures) | Please indicate the scale of the proposed pilot, eg patient numbers, volume of products etc   |
| Actions required to implement by Supplier                | Please use bullet points to outline main actions that are required to implement the pilot and anticipated times scales – eg staff training x number of days |
| Actions required to implement by Trust                   | Please use bullet points to outline main actions that are required by the Trust to implement the pilot and anticipated times scales                         |
| Base line measures                                       | Please indicate how you will base line current performance, data sources and how progress will be measured through the duration of the project              |
| Data requirements – Supplier                             | What data will be provided the supplier   |
| Data requirements – Trust                                | What data is required by the Trust  |
| Please specify any costs associated with the pilot       | Please indicate any costs associated with the pilot   |

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### Benefits Summary

| Non-Financial benefits   |   |                          |                                  |  |
|--|---|--------------------------|----------------------------------|--|
| Benefit  | Measure                                   | Current position         | Forecast                         | Dependency                             |
| Please specify the aspect of the service that will be improved   | How it will be measured? (system, method) | Against reported targets | Anticipated level of improvement | Bullet(s) of key dependency to deliver |
| Financial benefits   |   |                          |                                  |  |
| Benefit  | Measure                                   | Current position         | Forecast                         | Dependency                             |
| Please specify the financial benefits. Please consider that for a Finance Director to realise savings they must be tangible eg releasing 10 mins care per patient per day could not be utilised practically enable the Trust to reduce or deploy nursing time. | How it will be measured? (system, method) | EG LOS                   | Annual benefit                   | As above                               |
|  |   |                          |                                  |  |
|  |   |                          |                                  |  |

### Appendix B

# NHS Supply Chain Value Based Procurement Project Pilot - Terms of Reference

## June 2019



## Introduction

NHS Supply Chain have established a programme to determine the benefits Value Based Procurement can potentially deliver to the NHS. This will be achieved by progressing a number of pilot projects, which will focus on those products/offerings where suppliers can demonstrate a direct (1:2:1), evidence based relationship on delivering demonstrable cost savings, within a three month period of adoption by the customer (NHS Trust or Healthcare system).

For clarification and consistency, in October 2018 a panel comprising of Senior Representatives from Healthcare and the European Medical Device Industry agreed that Value Based Procurement could be defined as:

***“An approach that delivers tangible, measurable financial benefit to the health system over and above a reduction in purchase price; and/or a tangible and measurable, improved patient outcome derived through the process of procurement (tendering, contracting, clinical engagement and supplier relationship management).”***

Pilots in the context of this project are defined as:

“A small-scale experiment or set of observations undertaken to decide how and whether to launch a full-scale project”

This document sets out the terms of reference for pilot phase of the Value Based Procurement project.

## Pilot methodology

The pilot element of the Value Based Procurement Project will comprise of two stages, Design and Implementation.

### Design



### Implement



## Interpretation and use of pilot data

The output from the pilot phase of the Value Based Procurement project will be the production of a report which will include the outcomes from a range of small-scale pilot studies. The primary purpose of the data generated is to inform future direction of procurement practice for NHS Supply Chain, specifically establishing if:

- There is evidence, that the adoption of supplier technologies/services has a direct impact on reducing costs that can be acknowledged by an NHS Trust Finance Director; and have a positive impact on clinical practice and patient outcomes.
- The NHS system has the desire, capacity and capability to adopt Value Based Procurement as an approach to the purchase of goods and services

By the nature of pilot studies, intended outcomes may not be achieved for multiple reasons, therefore the decision has been taken that data used within the final project report will be anonymised, this is intended to provide participants with a safe learning environment.

If there is a positive outcome to the pilot projects and there is sufficient evidence in favour of wider adoption, then phase two of the project will consider how the data collected can be used to assist in developing a VBP methodology that could be delivered at scale across the Category Tower Service Providers.

## Participant roles and responsibilities

### NHS Supply Chain

- Will provide project management and facilitation for pilot projects to be established.
- Will co-ordinate and chair monthly pilot progress reviews and provide regular updates to the project sponsors.
- Be responsible for production of pilot site report and final project report.

### Category Tower Service Providers

- Provide contractual vehicle for the supply of products required for the pilot projects.
- Participate in the development of the implementation plan by which the Suppliers products and claimed benefits can be assessed.
- Work in conjunction with NHS SUPPLY CHAIN, Industry and Pilot Site stakeholders to agree the data collection requirements, responsibilities and mechanisms by which information can be collected and reported on a monthly basis, for the measures identified in their pilot proposals.
- Participate in monthly pilot review meetings.

### Suppliers

- Will be required to be proactive in identifying potential pilot sites.
- Develop the required implementation plan by which their products and claimed benefits can be assessed.
- To agree the data collection requirements, responsibilities and mechanisms by which information can be collected and reported on a monthly basis, for the measures identified in their pilot proposals.
- Be responsible for all their own support costs associated with the pilot.
- Will be required to establish a mechanism to mitigate cost pressures incurred by the pilot site, that may result from not achieving a return on investment for the procurement of goods used during the pilot. E.g. Current product A costs £, pilot product b costs £++, the premise being they will use less of product B to offset additional price, however the result is either usage remains the same or increases, therefore the Trust will need to be compensated for the additional product costs.



**Trusts**

- Will be required to co-operate with the NHS Supply Chain project team, Category Tower Service Providers and Suppliers in providing access to the relevant stakeholders and information required to implement the pilot study.
- They will also be responsible for providing agreed data in the format required and in a timely manner and participate in monthly pilot review meetings.
- Trusts will be responsible for their own support costs for the pilot.
- Goods supplied for the project will be provided under existing contracting terms through the relevant Category Tower Service Provider.

**Timescales**

Following identification of the pilot site, agreed methodology and measures, the intention is for the pilot to be able to demonstrate the supplier claims in terms of financial and non-financial benefits within three months of the go live date.

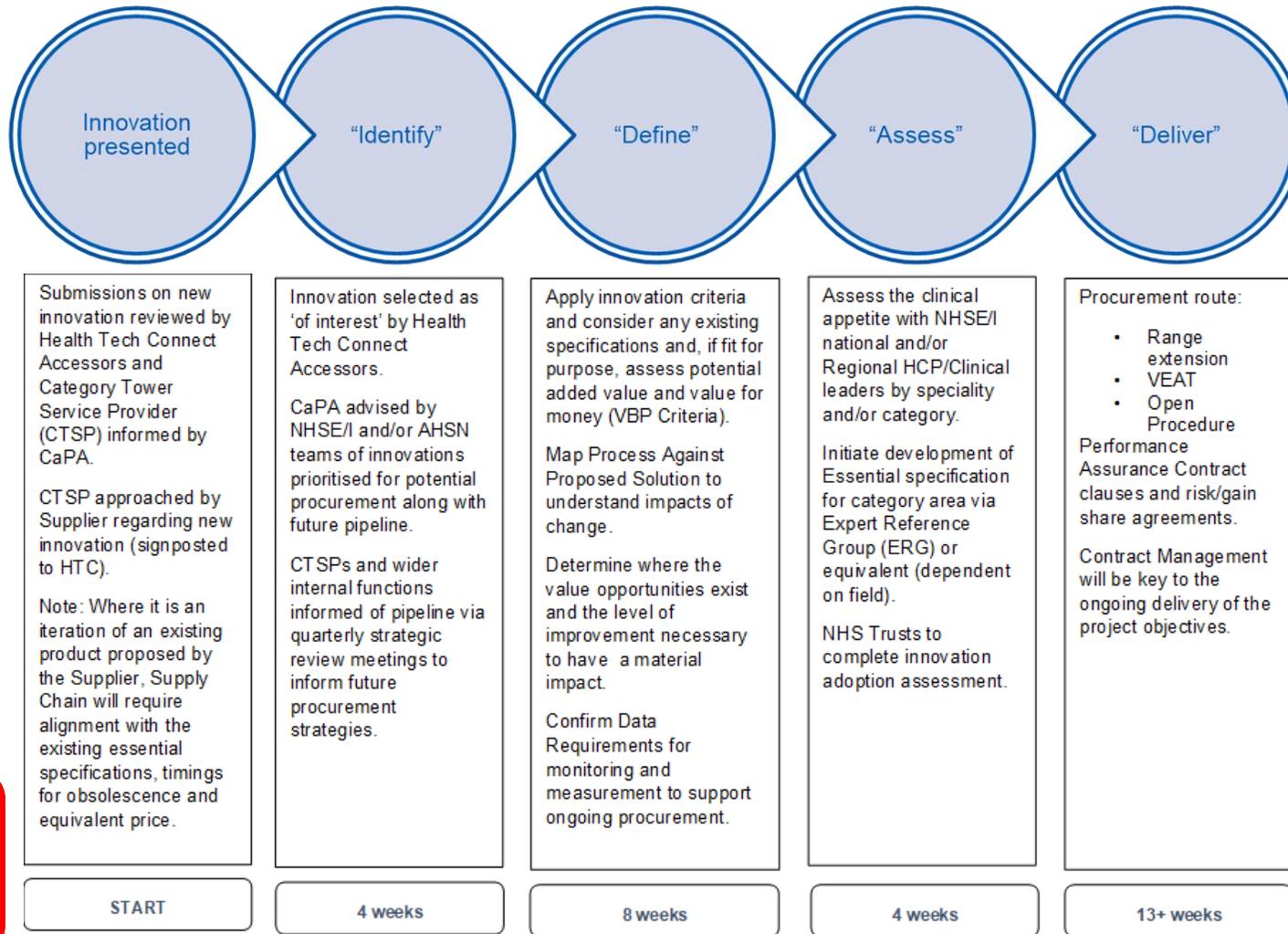
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**Supply Chain Co-ordination Ltd**

**June 2019**



# Model for the procurement of value through innovation



Indicative Timescale (does not include MedTech Funded products)

