According to NHS chief executive Sir David Nicholson, £15bn-£20bn of efficiency savings will need to be found from 2011-2014, which means services will have to be redesigned to achieve a quantum leap in value release.

The Department of Health has published its new commercial operating model, intended to enhance existing commercial and procurement skills, organised through a clear and coherent system to realise the opportunity to achieve a significant contribution to efficiency savings.

A central element of this new model is making the NHS Supply Chain contract work harder and smarter.

In October 2006, the DH outsourced the NHS Logistics Authority and parts of the NHS Purchasing and Supply Agency to logistics company DHL. This led to the creation of NHS Supply Chain.

By bringing together end-to-end procurement and supply chain management services, powered by DHL’s logistics expertise, the national contract is intended to provide hospitals and primary care trusts with quality products and services. It will enable NHS organisations to manage their supply chains more economically and in a sustainable manner, and access innovation and lean processes.

One of the critical advantages brought by a national service is the aggregation and commercial leverage of NHS spending. NHS Supply Chain is demonstrating significant progress in this area through a new initiative which builds on our business strategy of driving best price and value for the NHS.

We are introducing a Direct Agreement, it took just five days - estimated £30,000 savings. NHS Supply Chain Framework and chairs. By using the NHS Supply Chain Framework, achieved 56 days to procure stretchers from Manufacturer programme - estimated it would have taken 377 days. Ambulance Service Trust. By introducing MedTrac inventory management tool, achieved 56 days to procure stretchers from Manufacturer programme - estimated it would have taken 377 days. NHS Supply Chain has recorded benefits well ahead of the £57m target for the first three years of the agreement, achieved through a commercial approach to procurement and generating improved economies from the increase in demand which the NHS has placed through our service.

For example, South Central Ambulance Service Trust estimated it would have taken 56 days to procure stretchers and chairs. By using the NHS Supply Chain Framework Agreement, it took just five days to purchase all the 31 kits it required, achieving an estimated £30,000 savings.

An NHS Supply Chain relationship with North Middlesex University Hospital Trust has seen MedTrac, an inventory management tool, introduced across the entire hospital. The trust is expecting to save approximately £150,000 a year from this collaboration.

NHS Supply Chain continues to look at how we can enhance our service offering and product ranges for health service organisations. We are your national contract and provide a national service. We look forward to continue working with the NHS to help realise efficiency savings.

Nick Gerrard is chief operating officer for NHS Supply Chain.
Although it is not yet clear where all the target NHS savings will come from, this is an ideal time for the service to strengthen its focus on the efficiency of its supply chain.

In October 2006, the Department of Health outsourced the functions of the NHS Logistics Authority and part of the NHS Purchasing and Supply Agency to logistics company DHL.

The aim of the 10-year contract, which is managed by DHL on behalf of the NHS Business Services Authority, is to generate more than £1bn worth of savings for the health service.

NHS Supply Chain aims to do this by working collaboratively with the service to reduce product prices and strip costs out of the supply chain and also internal process costs.

NHS Supply Chain has already recorded benefits ahead of the £57m target for the first three years of the agreement. It is involved in a market that is worth up to a £5bn spend on medical consumables, from bandages to sutures, from gloves to implants, and even capital equipment.

It not only procures products in bulk on behalf of the NHS but also manages their delivery and supply.

Crucially, it also manages the entire procurement process so that NHS trusts no longer have to tender individually through the Official Journal of the European Union, which can save them both time and money – as much as £140,000 per complex contract, according to recent OGC research.

The organisation works with suppliers of all sizes to ensure it has high quality and innovative products available for NHS trusts, and works closely with clinicians, the Department of Health, and academic institutions to make sure it is aware of the current requirements and latest developments in clinical practice.

NHS Supply Chain chief operating officer Nick Gerrard says since 2006 the organisation has invested rapidly in systems, resource and expertise and now has more than 2,500 staff working across seven distribution centres and other offices around the UK.

“We aim to make it easy for the NHS. We get the products that health service organisations require to meet their objectives for patient care,” Mr Gerrard explains.

NHS Supply Chain makes it much easier for trusts to order the products they need, by providing an electronic system to manage all transactions, including an online catalogue, online ordering and an e-billing system.

**Ordering online**

By ordering online, trusts can save time and money compared with paper ordering, with improved speed, accuracy and material cost.

Mr Gerrard says producing a single simple billing and invoicing process for the trusts ensures they are no longer “snowed under with a mountain of paperwork”.

“In addition, we take products where they are needed quickly on consolidated deliveries.

“Trusts don’t have to worry about a multitude of vehicles delivering every day because we ensure all their orders come at once.

In a typical trust, this can take out as many as 60 deliveries per day, which reduces environmental impact, noise and traffic on hospital sites and makes for easier management processes,” Mr Gerrard says.

Because NHS Supply Chain is powered by DHL, it is able to use its financial resources creatively to buy products in bulk ahead of trust orders and work with suppliers closer to the point of manufacture.

Savings are passed on to trusts.

“In this way we are beginning to get much better prices for the NHS, which has historically struggled to be able to pay up-front for products or take distribution costs out of the supply chain.

“We are also now sourcing from a much wider supply base, which has introduced greater competition and better value,” Mr Gerrard says.
The NHS spends more than £360m on capital equipment every year. Procuring complex equipment is very difficult for trusts, as creating the specifications often requires in-depth knowledge of the products. This coupled with the requirements of EU public procurement can lead to lengthy and costly procurement cycles.

NHS Supply Chain is helping to reduce acquisition times by using national framework agreements to provide clinicians with cutting edge equipment at a much lower cost to trusts.

One example of how it has saved money for trusts is through its diagnostic imaging equipment. This service has so far saved the NHS more than £10m on product costs and £1m in procurement costs and reduced procurement time by 75 per cent.

NHS Supply Chain procurement director Roger West says the organisation offers trusts a complete service, including project management, maintenance and flexible financing solutions.

“Historically the NHS has not planned and procured in an integrated way. However, by aggregating planning and spend, it can get a better deal for larger orders,” he explains.

It is not just in medical equipment and supplies that costs can be reduced; NHS Supply Chain is also helping trusts with the sustainability of its supply chain.

Sustainability is an important area which NHS Supply Chain considers not only to improve the environment but also to drive down costs, powered by significant investment and targeting from DHL.

**Procurement and Sustainability**

**Steps to Stay Ahead**

Sustainability is an important part of NHS Supply Chain’s approach alongside strategies to ensure procurement is a well planned process.
An inventory and requisitioning tool is enabling trusts to see exactly where efficiencies can be made in their stock control and also has capacity to capture patient information.

MedTrac was developed by Sentient Health and is installed at trusts through DHL, which holds the licence for the system.

DHL head of managed inventory services Glen McCracken leads on MedTrac, working alongside NHS Supply Chain.

“We realised the demand capture systems used in the NHS could be improved to deliver greater value,” he says. “The real issue for hospitals was the need for clearer visibility of the products within their supply chain. There are often lots of inefficiencies in the system because hospital staff don’t have accurate information on what they have in stock or what has been used.”

**Track all consumables**

Mr McCracken says the MedTrac system enables hospitals to track all the consumables available, from standard bandages to sutures and implants.

North Middlesex University Hospital Trust is the first to roll out MedTrac across its entire hospital. This followed a successful pilot in five elderly care wards.

Each managed item is tagged by NHS Supply Chain using a unique tracking card. The cards are scanned as each item is consumed. This can be done within the department on a mobile scanner or the cards can be collected by an NHS Supply Chain operative and scanned. It is also possible to capture patient data.

Mr McCracken says the pilot at North Middlesex showed the trust’s supply chain team that some wards were overstocked by up to 40 per cent.

“There was potentially a lot of wastage due to products expiring,” he explains.

North Middlesex head of procurement Jamie Parris says the benefits of using the tool have been revolutionary.

“The MedTrac system has allowed the trust to have the visibility on stock consumption that it has never had before. It has redefined and revolutionised the way materials are managed at this trust.”

Mr Parris explains that it was “critical” to run the pilot as proof that the concept of using MedTrac could work in practice.

He says one of the biggest savings has been in reducing the time and workload for his team in stock checking.

Cardiff and Vale trust

Last year Cardiff and Vale Trust implemented MedTrac across its orthopaedic teams in its nine orthopaedic theatres to improve its stock control.

The trust adopted MedTrac as a managed inventory service. NHS Supply Chain also renewed a contract for the purchase of orthopaedic implants, resulting in an initial 3 per cent saving on a £3.8m annual spend. A review and transfer of ownership of consignment stock has saved the trust over £500,000.

NHS Supply Chain trading manager for orthopaedics and cardiology Andy Smallwood says: “The combination of stock visibility, the excellent clinician relationships held by the trust’s head of procurement and NHS Supply Chain’s knowledge of the market allowed the savings.”

Trust head of procurement Larry Petterson says “the benefits are already evident.”

---

**Benefits of using MedTrac**

- Helps track item use and its value to patients and clinicians
- Provides total control and visibility of inventory
- Prevents waste
- Improves availability and service levels
- Helps inform purchasing decisions
- Enables stock to be reduced
- Improves cash flow
- Enables proactive management and “shuffle” of stock to other wards
- Reduces storage space requirements
- Reduces clinical staff involvement

“The beauty of the MedTrac system is that we can get real-time analysis of stock. Because of this, we now know where stock is slower or faster moving and we can move it to different departments where needed,” he says.

As well as North Middlesex, NHS Supply Chain is working with University Hospitals Bristol Foundation Trust and Cardiff and Vale Trust to introduce the MedTrac management tool.
INNOVATION

HOW IDEAS SEE THE LIGHT

NHS Supply Chain has introduced the Innovation Scorecard so that good product ideas can be evaluated for adoption.

The use of NHS Supply Chain’s task force clinical evaluation programme supports this process by ensuring feedback is received from healthcare professionals. Task forces have six to 12 members with specialist knowledge in a specific clinical area. Members provide valuable insight into clinical requirements during the procurement process, enabling NHS Supply Chain to provide the best value products.

Around six task forces are “live” at any one time evaluating tenders and products and Ms Tandy expects 30 will be mobilised over the next year.

If, after this process, the product is deemed innovative and to add value to the NHS, NHS Supply Chain will make the product available on a pilot contract to test adoption, and undertake the full Official Journal of the European Union tender process as required.

NHS Supply Chain procurement director Roger West explains how the new process releases untapped value by driving new product innovation.

“The National Innovation Centre now has a route to market for inventors it has supported to develop new products, and suppliers have the opportunity to fast track innovative products into the supply chain on a pilot contract. The end result gives the NHS access to the latest products and technological advances to benefit patient care.”

Innovation centre head Brian Winn says the joint relationship with NHS Supply Chain and the development of the scorecard is a “logical step that will address the age old problem of how external innovators access the NHS”.

“Many of the clients and innovators who come to us have already developed their product and just want to know how to sell to the NHS. Now we can direct them to NHS Supply Chain,” says Mr Winn. An example of a recent innovation introduced into the market by NHS Supply Chain is the Mobile Clinical Assistant. This a portable computer which has been designed specifically for use in NHS hospitals.

“The National Innovation Centre has been developed to bring the NHS into the 21st century in terms of mobile technology.”

With a wipe clean screen and no keyboard, the unit cuts down the risk of healthcare associated infection and cross contamination as well as offering security of patient records through limited access with an NHS smartcard.

“The NHS buys or replaces 150,000 computers per year, many of which are used in clinical areas. There is no reason why the NHS cannot install mobile computing on a much wider basis with the ability for up to a third of all laptop and desktop computers becoming MCAs,” says Mr Brown.

He adds that the portable computer can save doctors two to three days’ work a month and has the potential to save hundreds of thousands of pounds in combating healthcare associated infections.

NHS SUPPLY CHAIN INNOVATION AIMS

● Establish a formal innovative product management process as a central point for suppliers to register innovative products
● Develop a toolkit for product evaluation that ensures consistency of approach
● For products deemed innovative, refer to a specialised task force for clinical feedback
● Successful innovations to become available on a pilot contract to test how they are adopted

For more information or to register an innovation visit

www.supplychain.nhs.uk/innovation
What services can NHS Supply Chain provide?

NHS Supply Chain provides end-to-end supply chain services, covering the following areas:
• procurement
• logistics
• e-commerce
• customer support
• consultancy services.

How does this help me?

By simplifying processes and offering competitive prices, customers will be able to dedicate more time and resources to patient care and control costs through:
• no need to tender, therefore reducing time and costs
• an online catalogue and ordering service offering over 620,000 products
• direct timed delivery to your ward/department
• a dedicated customer service contact.

What experience is there within NHS Supply Chain in delivering these kinds of services?

NHS Supply Chain brings together an unrivalled blend of skills and experience from the former NHS Logistics, NHS Purchasing and Supply Agency and DHL.

For further information contact: info@supplychain.nhs.uk or telephone 01773 724000.