

# PROCUREMENT AND LOGISTICS



NHS Supply Chain

IN ASSOCIATION WITH  
NHS SUPPLY CHAIN

**SPECIAL  
REPORT**

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## FOREWORD



# VALUE ON STREAM

NHS Supply Chain is designed to enable health service organisations achieve economies and efficiencies while meeting increasing demand and quality imperatives, says Nick Gerrard

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 from Manufacturer programme to release cost within the procurement supply chain across a range of healthcare products. Our aim is to improve the efficiency of the supply chain, from the source of manufacture to the delivery points for the NHS.

Important to this programme will be the introduction of an NHS Supply Chain own brand, Choice for Health. These products are available early this year. We will not be compromising on quality or reliability, and NHS trusts will continue to receive high standards of service.

We support NHS organisations in taking a whole systems approach to look at how they can reduce wasted time

and money and minimise costs while at the same time improving the quality of care.

The economies of scale from a national service drive not only best price savings but huge efficiency in back office processes for on-site hospital management, saving an average acute trust up to 13 per cent in procurement and supply chain process costs.

Our services can make a significant contribution to Productive Ward and Productive Theatre programmes.

### Getting ahead

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.*



## ABOUT NHS SUPPLY CHAIN

# MAKING THINGS EASY

Improvements to the supply chain include managing the procurement process from tender to delivery and investing in an electronic system which saves time and money, and an expanded range of products

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

## 'The organisation works with suppliers of all sizes to ensure high quality'

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 simple single 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

### KEY FACTS ABOUT NHS SUPPLY CHAIN

- Serves over 600 trusts and healthcare organisations across England and Wales
- Provides a single point of access to 620,000 products – a figure which has increased from just 420,000 three years ago
- Developed a number of different products, programmes and models to help NHS organisations reduce healthcare associated infection rates, including patient screening and hospital cleaning products
- Since 2006 it has expanded into new product areas including dentistry, capital equipment and orthopaedics
- Has a "memorandum of understanding" with the NHS Business Services Authority to support government policy on sustainability programmes
- Savings and performance against targets are reviewed regularly by the NHS BSA

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. ●



# 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

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 contract, which provides best value access to the latest technology equipment. This service has so far saved the NHS

## UNIVERSITY HOSPITALS BIRMINGHAM

NHS Supply Chain has worked with University Hospitals Birmingham Foundation Trust to help equip its new hospital with £40m worth of diagnostic imaging scanners.

Trust head of procurement Andy Harris explains: "In the period of any private finance initiative, from the time you have to commit to a supplier to the point of opening there can be a lot of changes. NHS Supply Chain's team are future proofing this by liaising with suppliers to ensure the equipment we use when we open this year is the latest and most innovative available."

The procurement for the hospital has been managed through NHS Supply Chain's national framework agreement, which brings down costs by using the demand and purchasing power of the whole NHS for such equipment.

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

## SOUTH CENTRAL AMBULANCE SERVICE

When South Central Ambulance Service Trust needed to buy patient equipment for its new emergency vehicles, it turned to NHS Supply Chain for help. The national framework agreement for stretchers, trolleys and accessories was used to procure equipment for the ambulances.

The trust's procurement and supply chain team worked with NHS Supply Chain category specialist Katie Heap to make sure that the right products were bought from its preferred supplier in time for vehicle production.

"We were there to speed things up by removing the trust's need to go through the *Official Journal of the European Union* tendering process. NHS Supply Chain is trying to get good quality products at the best price on a national basis to our customers when they need to procure," Ms Heap explains.

Trust head of procurement and supply chain John Newcombe says that the process was "painless".

"My advice to anyone who needs to purchase equipment is there's simply no reason to go through lengthy and costly procurement processes when these have already been done for you. Simply contact NHS Supply Chain."

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.

## DENTAL CATALOGUE

In February 2008, NHS Supply Chain joined forces with The Dental Directory to launch a national framework agreement enabling trusts to order from a selection of more than 9,000 dental products – ranging from anaesthetics and single-use instruments to X-ray sundries and cements.

The aim is to help trusts increase their buying power by being able to buy in bulk with other trusts needing the same products.

According to West Sussex Community Personal Dental Services senior business development manager John Forrester, the ordering process before the NHS Supply Chain dental catalogue was available was "time consuming" and involved "large amounts of paperwork and hidden administration costs".

The catalogue can be used by a range of customers, from dental schools to community dental units within primary care trusts. NHS Supply Chain takes the order and organises payment, after which the products are delivered by the Dental Directory.

NHS Supply Chain sustainability manager Helen O'Hara says DHL's overall target is to reduce its carbon emissions by 30 per cent by 2020.

"Last year we measured our carbon footprint to get a baseline and aim to reduce it year on year," says Ms O'Hara.

She says NHS Supply Chain has made use of DHL's transport experience and expertise and is in the process of various carbon reduction programmes, such as improving the aerodynamics of vehicles.

"We share best practice with hospitals about good energy management, much of which is about basic measurement and good housekeeping.

"Across the health service in Bristol, we mapped out our current delivery timetable and changed it so we now deliver more efficiently. Just by doing this, over five tonnes of carbon has been saved.

"This was all done in conjunction with trusts' concerns," says Ms O'Hara. ●



MEDTRAC

# HIGH VISIBILITY

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 is an inventory and requisitioning management tool which aims to give hospitals a way of managing their product supply chain as effectively and efficiently as possible. It manages medical supplies throughout the supply chain down to hospital ward level and tracks the consumption of a product by patient, procedure and clinician.

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. ●

## 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. ●

## 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".



# HOW IDEAS SEE THE LIGHT

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

*High Quality Care for All* identified Lord Darzi's vision to drive patient access to innovative medical technologies and to deliver safe, effective, higher quality personalised services to everyone who needs it.

To help speed up the NHS's access to the latest equipment and products, NHS Supply Chain has launched a process to encourage new and existing suppliers to register innovative products for contract consideration.

NHS Supply Chain classes an innovative product as one that is brand new to the NHS with no existing competitor, or one which can demonstrate a significant improvement in value, efficiency or patient benefit.

By introducing a new tool called the Innovation Scorecard, developed in conjunction with the NHS National Innovation Centre, NHS Supply Chain hopes to provide opportunities for innovative suppliers to launch new products into the health service.

NHS Supply Chain's scorecard lead Emma Tandy explains: "Innovative product development can happen at any time and doesn't always fit within the deadlines associated with the procurement tender process outlined by the European Union."

The scorecard enables companies to register a product innovation online with NHS Supply Chain at any time, avoiding the need to wait for the renewal of contracts, which can be many months or even years. Once the scorecard is submitted, NHS Supply Chain conducts further market research and analysis on the supplier's innovation to determine its value.

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

## 'The process releases untapped value by driving new product innovation'

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.

NHS Supply Chain trading director Andy Brown says clinicians and other NHS staff spend hours on paperwork.

"Despite improvements in technology over the past 10 years, there has been little change in the volume of paperwork in hospitals. The Mobile Clinical Assistant 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



### 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

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. ●

### FIND OUT MORE

For more information or to register an innovation visit  
[www.supplychain.nhs.uk/innovation](http://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:  
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