

A SUMMARY OF NHS PROCUREMENT PRACTICES AND THEIR IMPLICATIONS FOR INNOVATION ADOPTION

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Background to this report

The White Rose Health Innovation Partnership (WRHIP) was a HEIF-3 funded project which ran between August 2006 and January 2008. The project was run from the University of Leeds and the other members of the partnership included the Universities of Bradford, Sheffield and York, NHS Hospital Trusts in Bradford, Leeds and Sheffield, regional SME's represented through Medilink (Yorkshire and the Humber), Medipex (NHS Innovation Hub for the Yorkshire and Humber region) and academic and industrial partners based in New Jersey. The aim of the partnership was to accelerate the development of new products for the healthcare sector through the application of "Open Innovation" practices and other innovation tools. Following a number of "Open Innovation Workshops" focussing on different clinical needs, a proof-of-concept fund was made available for projects which fitted the necessary criteria. However, it was recognised that simply accelerating the development of innovative products by these means was not sufficient to get them adopted, and so Health Innovation Fellows were appointed to look at NHS Procurement (based at Medipex) and Health Technology Assessment (based at YHEC, York University), with the aim of their work feeding into funded projects to accelerate their uptake once they were nearer to market.

Dr. Chris Herbert, the White Rose Health Innovation Fellow based at Medipex investigated how NHS procurement processes affect the uptake of innovative products by the NHS. This work was carried out from January – December 2008 and was informed by reviewing a range of available literature, attending conferences and carrying out structured interviews with companies, NHS consultants, NHS managers and NHS Procurement staff. The procurement landscape was first looked at in detail along with how current policies are influencing the choice of goods that are used in the provision of healthcare services and their implications for the uptake of innovative products.

The work also looked at how decisions about what products to purchase are made in NHS Trusts, who the key decision makers are and what factors they look at when deciding whether a particular product should be used. From the evidence gathered from structured interviews held with companies, critical success factors for innovative products were identified and a suggested route map into the NHS for innovative products was devised. This work has also led to a number of suggestions being made as to how the NHS could improve the uptake of innovative products. This report gives an overview of the key findings.

The full report "NHS Procurement: The first barrier to adoption?" which discusses all of these issues in more detail and which contains a number of case studies looking at how innovative products can get into the NHS can be obtained from the website <http://www.ennovations.co.uk>, although organisations based in the Yorkshire and Humber region are encouraged to obtain the report by contacting Chris Herbert directly at chris.herbert@medipex.co.uk.

Introduction

The NHS in England was first recognised as a slow and late adopter of innovative products by the Wanless report published in 2002, yet as 2009 begins the situation seems to have improved little, if at all, with both industry and NHS employees recognising that not enough is done to promote the uptake of innovative products by the NHS (see Figure 1). However, perhaps encouragingly, the overwhelming majority of NHS staff interviewed as part of this work thought that innovative products were important for the delivery of successful healthcare in the UK (see Figure 2). However, before a product can be used in the clinic it must be purchased and the NHS's procurement process can represent a significant obstacle to a product being used.

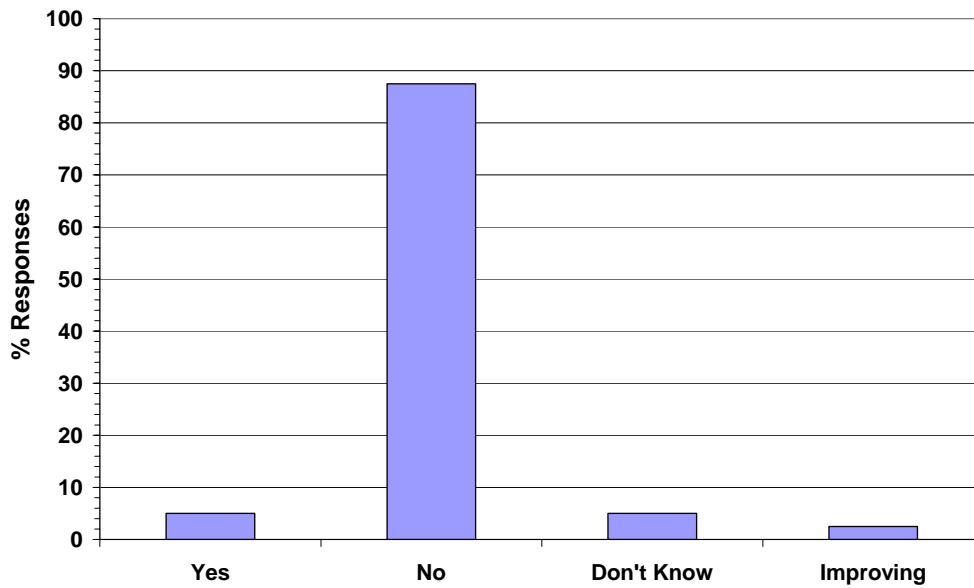


Figure 1: Is enough done to promote the uptake of innovative products into the NHS?

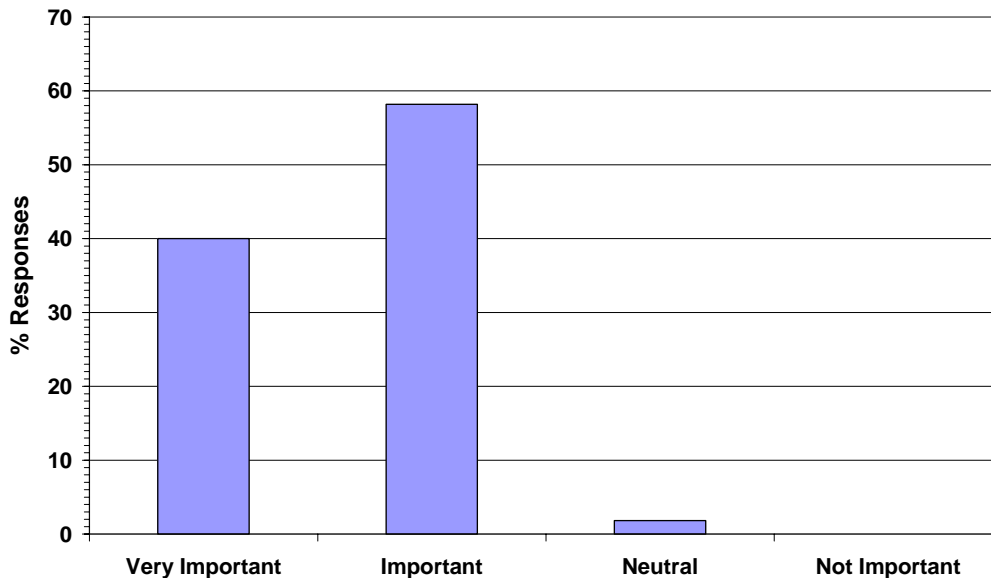


Figure 2: The views of NHS Staff interviewed as part of this work as to how important they thought the use of innovative products by the NHS was

Procurement Policies

Because the NHS is a publicly funded organisation, there are a number of set rules and regulations which must be abided by. These rules include set levels at which quotations need to be obtained and the need to tender for any contract with a value of more than £25,000 (although this level may be higher at some Foundation Trusts). Any contract with a total lifetime value of £90,319 or greater must be advertised in the Official Journal of the European Union (OJEU). The OJEU threshold changes on 1st January every two years and is calculated according to the average exchange rate over the previous 2 years. The current level was set in 2008 and given the recent £/€ exchange rate changes, this amount is likely to change significantly on January 1st 2010. The tendering process can be quite lengthy (4-6 months) but allows no direct face to face negotiation over price; the price submitted in the tender document is the price that must be paid for the product if that supplier is awarded the contract. Additional EU legislation around procurement practices has also just been brought in which gives unsuccessful parties increased opportunities to challenge the decision made if they feel that the process wasn't transparent or fair.

From October 2008, these procurement rules have also applied to the purchase of healthcare services from providers. The purchase of healthcare services is referred to as commissioning and is carried out by teams of commissioners working in the Primary Care Trusts (PCT's) across England. The aim of commissioning is to provide the right healthcare services to a local population and increasingly, services are being moved away from hospitals and delivered by providers in primary care. This has implications for the use of innovative products as services are being redesigned and service providers are increasingly being encouraged to consider the use of innovative products as part of this process. There may therefore be opportunities for suppliers here, but the price paid by the PCT to the service provider for that service is usually fixed by the Payment by Results (PbR) Tariff which is published annually by the Department of Health. Interestingly, the majority of people interviewed for this work thought that PbR would have a negative impact on the uptake of innovative products.

The Procurement Landscape

Suppliers of products to the NHS in England have as their customer base 172 Hospital Trusts, 149 PCT's, 10 Collaborative Procurement Hubs, NHS Supply Chain, NHS PASA and the Office of Government Commerce (OGC). However, NHS PASA and the OGC are mainly concerned with issuing procurement guidance and have no real procurement function for the NHS. The current PCT providers do not have well-defined procurement structures in place for products and the PCT provider landscape is changing with more private companies and social enterprises being contracted to deliver the services.

In reality the only organisations who actually purchase medical goods are the Trusts which use the products. The main function of NHS Supply Chain and the Collaborative Procurement Hub network is to negotiate framework contracts on a national and regional basis respectively which Trusts can purchase goods off. There is no obligation for NHS Trusts to utilise the contracts negotiated by NHS Supply Chain or their regional procurement hub, but guidance from NHS PASA is encouraging Trusts to do so more where such contracts exist. There are benefits to suppliers being on the framework contracts, but the main purpose of these is to reduce the unit price of goods so that economies of scale can be achieved by contracting either nationally or regionally. However, framework contracts are only renewed

every 4 years and new products cannot be added onto existing contracts so spotting the opportunity to get onto one of these contracts is vital. A simplified version of this procurement landscape is shown below in figure 3.

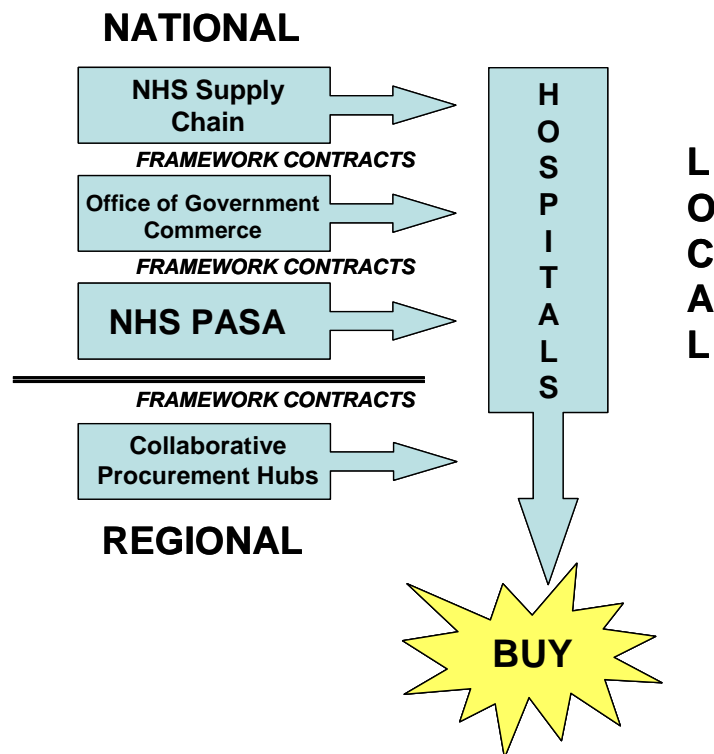


Figure 3: A simplified depiction of the NHS Procurement Landscape

NHS Trust internal processes

Each NHS Trust has its own internal policies, processes and politics which potential suppliers must navigate around if they are to be successful in selling to a Trust. The key contact point for companies is the clinician(s) who will actually use the product. However the clinician(s) alone cannot make the decision about whether to purchase a product. Such decisions are usually made by multi-professional committees which are typically made up as shown in figure 4. The decision making process is informed by a business case which must be produced by the project lead (usually a clinician) stating why the product is needed, what the effects on the service delivery will be and showing that any risks have been mitigated. In the majority of cases, the key decision makers will be the directorate managers and their most important criteria is how much a product will cost. This cost focus is largely due to the policy of annual budgeting within NHS Trusts and the need to balance departmental budgets year on year, with any surplus generated not being retained by that department. Cost is not the only factor looked at, but it is the most significant one and is described as the biggest barrier to selling to the NHS. The most common problems faced by companies when selling to the NHS are shown in figure 5.

A decision to go ahead and purchase a product at directorate level often does not mean that the final decision has been made. In many cases, approved projects are then submitted to a group higher up the Trust who make the final decision based on what resources are available.

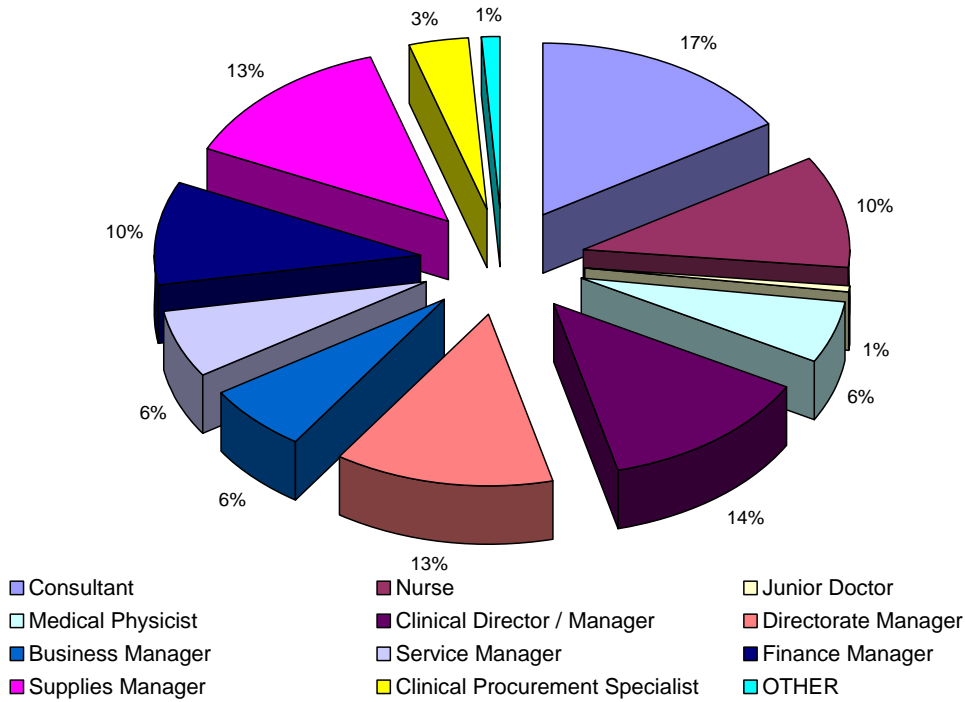


Figure 4: Who is involved in the decision-making process?

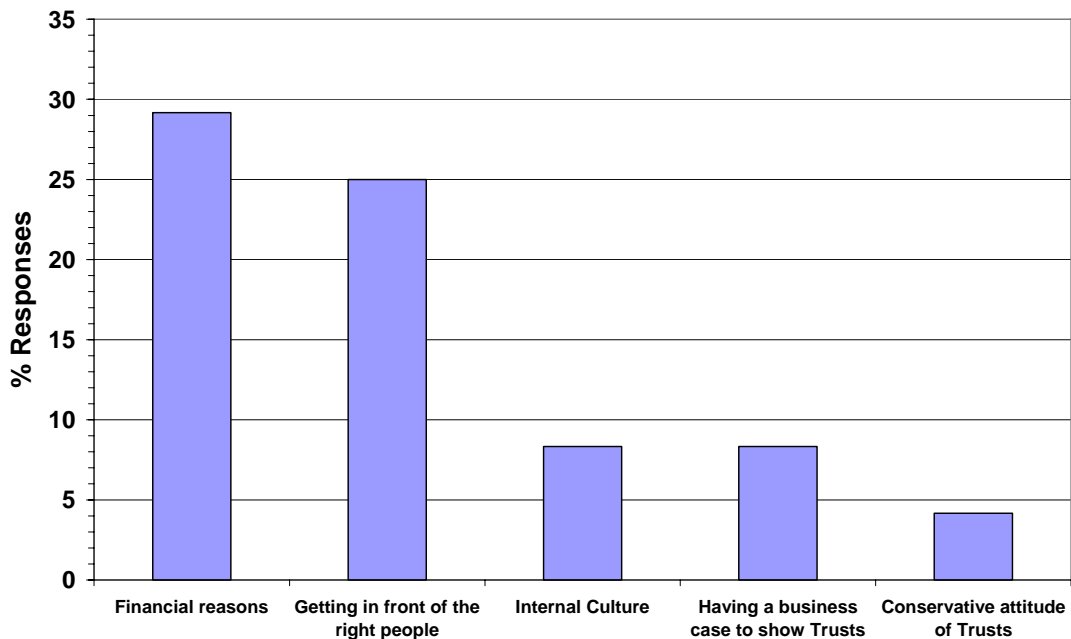


Figure 5: The most common problems faced by companies when selling to NHS Hospitals

If the product is a “must have” where it is replacing a broken or worn out piece of equipment which is essential for service provision then it is likely that approval will be given immediately for procurement of that product to take place. However, if the product being requested is for service development or is considered a “luxury”, unless funding is coming from a non-hospital source (e.g. a charitable donation) then the request will be ranked according to its priority and approved once it is high enough up the priority list. Such groups also ensure that products bought in certain categories are “standardised” to one manufacturer to keep maintenance

costs down. Because of processes such as these it has been known for it to take up to two years for a department to get new equipment from the start of the process.

Maximising a products chances

So how can suppliers maximise their chances of product uptake by the NHS? The process should really start in the early stages of product development and the below series of questions relating to adoption should be posed in relation to a concept prior to any development work being carried out:

- Does the proposed product solve a real clinical problem?
- Does the proposed product fit with the current patient pathway and clinical practice?
- What is the PbR Tariff for the procedure that the product will be involved in?
- What are NHS priorities likely to be when the product is launched?
- What are current NICE guidelines?
- What trials / data will be needed?
- What business model options are there?
- Would the proposed product be covered by “standardisation” practices?
- What is the status of regional and national framework contracts for the category under which the proposed product would fall?

Although the key individuals within NHS Trusts that companies need to speak to in the first instance are the clinical staff (the end-users), it is important to access the Trust via the supplies department. Supplies departments have a range of policies which companies must abide by when approaching Trust staff as well as policies relating to the trialling of equipment within Trusts. Once end-users are convinced of the use of a product a business case must be produced which is then passed to the decision making committee (the typical make-up of which is depicted in Figure 4). If a decision does get made to purchase the product which is then ratified within the Trust, then the supplies department will initiate the contracting process which may include the need for the company to respond to a tender advertisement. The contracting process can be sped up by a product being on a national or regional framework contract, but opportunities to get on to these are limited as they are generally only renewed once every 4 years. An overview of the routemap proposed by this work is shown in figure 6.

Conclusions

Current NHS procurement practices and structures are a hindrance to the uptake and use of innovative products which have the potential to benefit patients. However, in the post-Darzi reformation there is an opportunity to put in place structures and policies to improve this situation. One structure which this research suggests may be effective is for each region to embed an “Innovation Assessment and Introduction Unit” into their collaborative procurement hub (a single national body would be seen as too distant and removed). A specialist fund to offset any additional short-term costs incurred by Trusts from the introduction of innovative products would be needed alongside this to help effect the changes that introducing beneficial innovative products would be associated with. Evidence gathered suggests that support exists for such a fund from NHS Clinicians and Managers. The concept for this and the linkages that it would need are shown in Figure 7. Furthermore, within Trusts incentives would be needed to encourage a greater degree of innovation uptake. Such incentives would

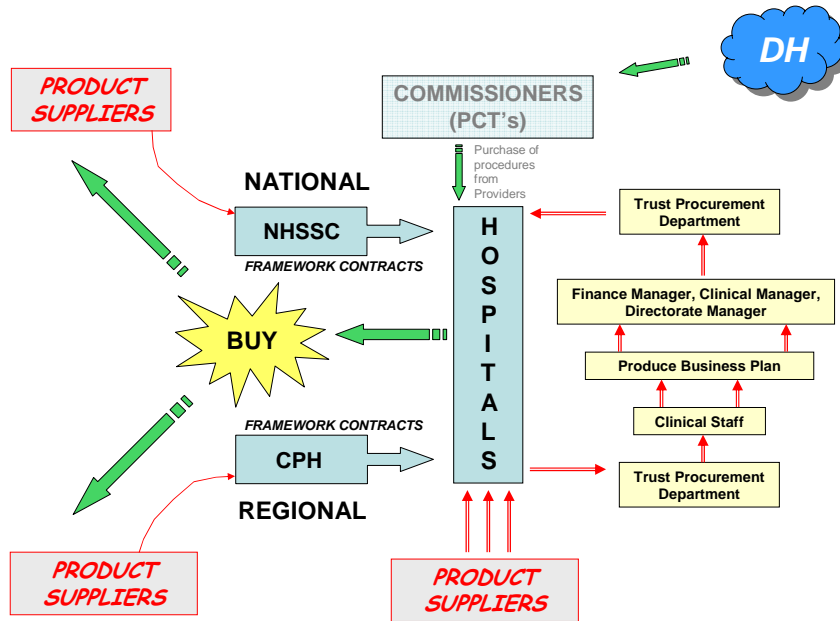


Figure 6: Routes into the NHS Hospitals for Product Suppliers

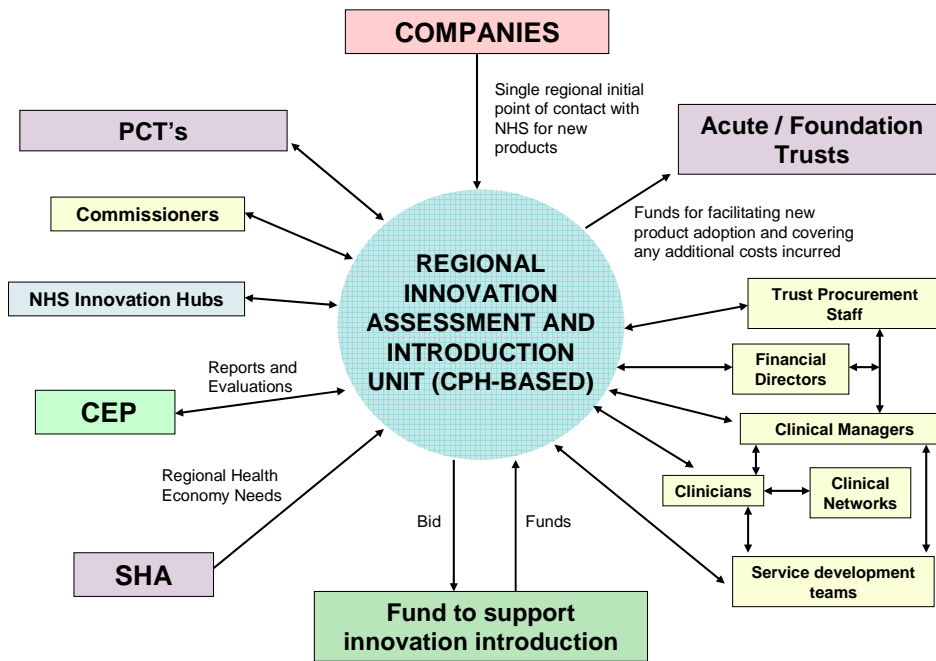


Figure 7: The linkages needed for the proposed Regional Innovation Assessment and Introduction Units

need to be financial in nature, with directorates being allowed to keep surpluses and everyone involved in the procurement process being allowed to count any cost-savings obtained from its use towards their targets. With the NHS now actively focussing on the adoption of innovative products, coupled with the post-Darzi reforms, the UK has an opportunity to shake off its reputation as a late adopter of innovative products, but this process will take time and procurement practices have a key role to play in the process.