

E-procurement in the NHS: where is it now, where is it going?

Peter Elwin, Director of Healthlogistics.co.uk Ltd, a specialist e-procurement solutions company working exclusively with the NHS, the UK private health sector and their suppliers explains the potential for changing the way the NHS purchases goods and services.

The 420 NHS Trusts in the UK currently spend £20bn p.a. on goods and services. However there are fundamental problems with the means by which it does this:

- The processes used are largely manual and inefficient, depending (excluding NHS Supply Chain's £800m p.a.) as they do on paper requisitions, faxed or paper orders and paper invoices
- To a large extent this inefficiency is caused by the lack of item catalogue data synchronisation across the NHS and between Trusts and their suppliers. A common data standard has been defined for the NHS Purchasing and Supply Agency (PASA) some three years ago but is not actually used by the vast majority of NHS Trusts or their suppliers, and is not mandatory.

Consequences for NHS

The consequence of the above for the NHS are that:

- Each Trust will generally call the same item something different
- Few NHS Trusts know how many of a given item they buy in total each year
- Groups of Trusts such as Collaborative Procurement Hubs –set up to take advantage of economies of scale - have even less information on item-level expenditure
- The cost of the purchasing process for the NHS is considerable, with each of the 20 million orders p.a. conservatively costing £50
- The lack of tight control over the end-to-end purchasing operation – such as the low level of use of bar coding and insecurity of supply - has a range of patient safety implications.

Suppliers' Situation

For the 15,000 suppliers to the NHS the situation is no better:

- The lack of common standards means that the same item is ordered using different item codes and descriptions by different Trusts, or even by different departments of the same Trust

- The definition of which item is actually wanted by the Trust often takes time to establish
- Orders need to be re-keyed from paper, fax or even email receipt
- Invoices (which are paper) use different descriptions to those on the order, so in about 80% of cases cannot be matched to the order without investigation
- Payment is frequently late due to Trusts' need for this time-consuming invoice matching process
- The amount of stock held by Trusts is generally not known at any point in time and certainly not communicated to suppliers
- The concept of any Trust placing an item-level forecast on its suppliers, which can then be used for forward planning and efficient supply, is a distant country.

Five-step Change

The irony of the situation is that the technology is available today to change this situation and has been used in other industry sectors for some 25 years or so – and yet the one sector in which data accuracy and supply chain control are of such paramount importance has yet to embrace the necessary practices.

So just what measures are needed to bring about a change in this situation, for the benefit of both the NHS and its supplier community – and what form would these benefits take?

1. The first essential pre-condition for efficient supply is that suppliers, wholesalers and Trusts use a common language to define the goods and services being bought and sold. In other words, the data standard that has been defined some three years ago needs to be brought up to date – following international guidelines - and then mandated on the entire community. Everything follows from this basic requirement.
2. Secondly the supplier community needs to be responsible for the definition of what it is they are selling and the communication of this to their customers, using the mandated common data standards.
3. The third requirement is that NHS Trusts need to be able to have easy access to this approved and validated suppliers' catalogue and contract data - and then be able to actually use it in their supply chain, despite the fact that a multiplicity of purchase order systems are in use across the NHS, each with different data fields and formats.
4. Fourthly, Trusts need to be able to feed purchase orders directly into suppliers' sales order systems without the supplier having to re-key them on receipt.

5. Fifthly, invoices need to be sent electronically and then matched electronically with the original order and with delivery, so that electronic payment can take place, and on time.

These five steps can by no stretch of the imagination be defined as state-of-the-art logistics practices – for example they assume the need for a purchase order which is not actually the case if a supplier has electronic visibility of how much of each item is being used. Neither are we yet mentioning materials management, bills of materials, linkage to patient usage, self-billing by Trusts, bar coding, Radio Frequency IDentity (RFID) technology or the provision of a demand forecast to suppliers. However taken together they would go a long way towards the transformation of the efficiency the UK's healthcare supply chain.

All-round benefits

Benefits would flow to NHS Trusts and their suppliers in equal measure if these initial five steps were to be adopted; savings are conservatively estimated at £1bn each p.a. for the NHS on the one hand and suppliers on the other. Various case study material from around the world is available to substantiate these figures. The case for their implementation is proven and a pre-condition for the success of a range of other NHS initiatives. PASA is now actively encouraging the development of these five steps, with the active encouragement of the major supplier trade organisations; we look forward to their early adoption.

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