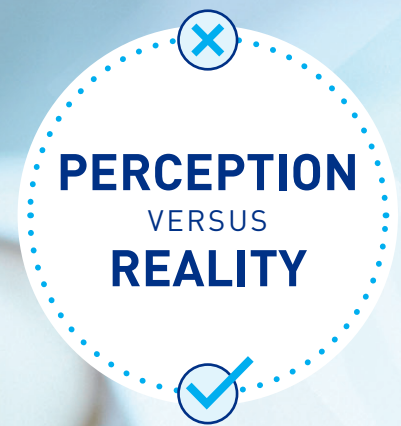


PUTTING THEORY INTO PRACTICE:
A PRACTICAL GUIDE TO EMBEDDING VALUE BASED
PROCUREMENT INTO THE NHS

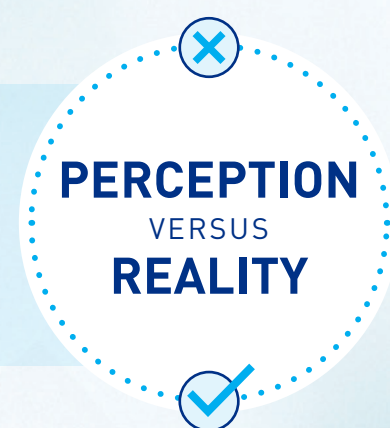


BAXTER TOUCHES THE LIVES OF MILLIONS OF PEOPLE AROUND THE WORLD EVERY DAY. OUR PRODUCTS AND THERAPIES CAN BE FOUND THROUGHOUT HOSPITALS AND CLINICS – FROM THE ER TO THE OR, FROM THE PHARMACY TO THE ICU – AS WELL AS ADVANCING PATIENTS’ CARE IN THEIR HOMES.

FOR MORE THAN 85-YEARS, WE HAVE BEEN AT THE CRITICAL INTERSECTION OF SAVING AND SUSTAINING LIVES. AND NOW, WE ARE DETERMINED AND UNIQUELY POSITIONED TO REALIZE OUR GREATEST OPPORTUNITY TO TRANSFORM GLOBAL HEALTHCARE FOR YEARS TO COME.

CONTENTS

- 01 Introduction
- 02 Using our experience to debunk common VBP myths
- 03 Defining VBP
- 04 Perception versus Reality
 - 04 **Perception 1:** VBP is an inevitable next step for the NHS
 - 05 **Perception 2:** One size fits all
 - 06 **Perception 3:** VBP does not realise savings in the required timeframes
 - 07 **Perception 4:** All it takes is one person to drive the process forward
 - 08 **Perception 5:** It is impossible to measure outcomes
 - 09 **Perception 6:** Industry and the NHS are natural adversaries
 - 10 **Perception 7:** VBP is not exciting
- 11 Next steps





Value based procurement (VBP) has the potential to transform the NHS. It is a concept that has been widely discussed for many years as a way of delivering better patient outcomes, stronger partnerships with suppliers, and tangible savings. However, this is a complex and evolving area and while the health service has embraced innovation, progress in embedding VBP mechanisms into its procurement processes has been slow.

At Baxter we recognise the need to develop long term partnerships that go beyond the traditional procurement of product, looking more at improving clinical outcomes and reducing waste along the continuum of care. We are proud of the work that we are doing with the Manchester University NHS Foundation Trust (MFT) to transform our once transactional procurement relationship into a genuine outcomes-led partnership. It hasn't been easy but our experience shows that the challenges are not insurmountable.

Many people have an interest in value based procurement but are not sure where to start. This is why we have produced this paper to share our learnings and experiences of embedding VBP and challenging some of the perceptions we and others have faced along the way. It has been informed through the views of experts in procurement from national and local NHS bodies, as well as Baxter's own experiences of working in partnership with the NHS over many years.

“AS WE’VE GONE ON THIS JOURNEY WE FOUND THERE IS A HUGE SPECTRUM IN TERMS OF UNDERSTANDING OF WHAT VBP IS, IT MEANS DIFFERENT THINGS TO DIFFERENT PEOPLE”

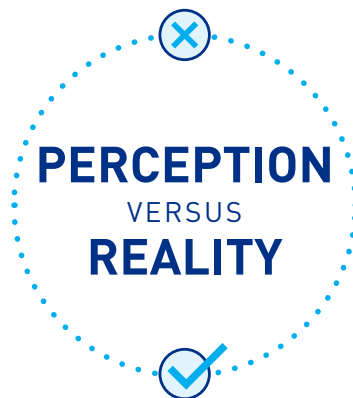
HEAD OF INTEGRATED CARE SOLUTIONS, BAXTER

USING OUR EXPERIENCE TO DEBUNK COMMON VBP MYTHS

Over recent years, Baxter has been at the forefront of efforts to embed VBP approaches into the health service. In particular, we have built productive relationships with procurement leaders across the NHS to learn together how to deliver better financial and patient outcomes in different areas of care.

Our approach has always been to work in partnership with the Trust to co-create the best model for that pathway.

To help others navigate this journey, we want to look at how to overcome common barriers, real and perceived, to successfully adopt VBP practices in the NHS.

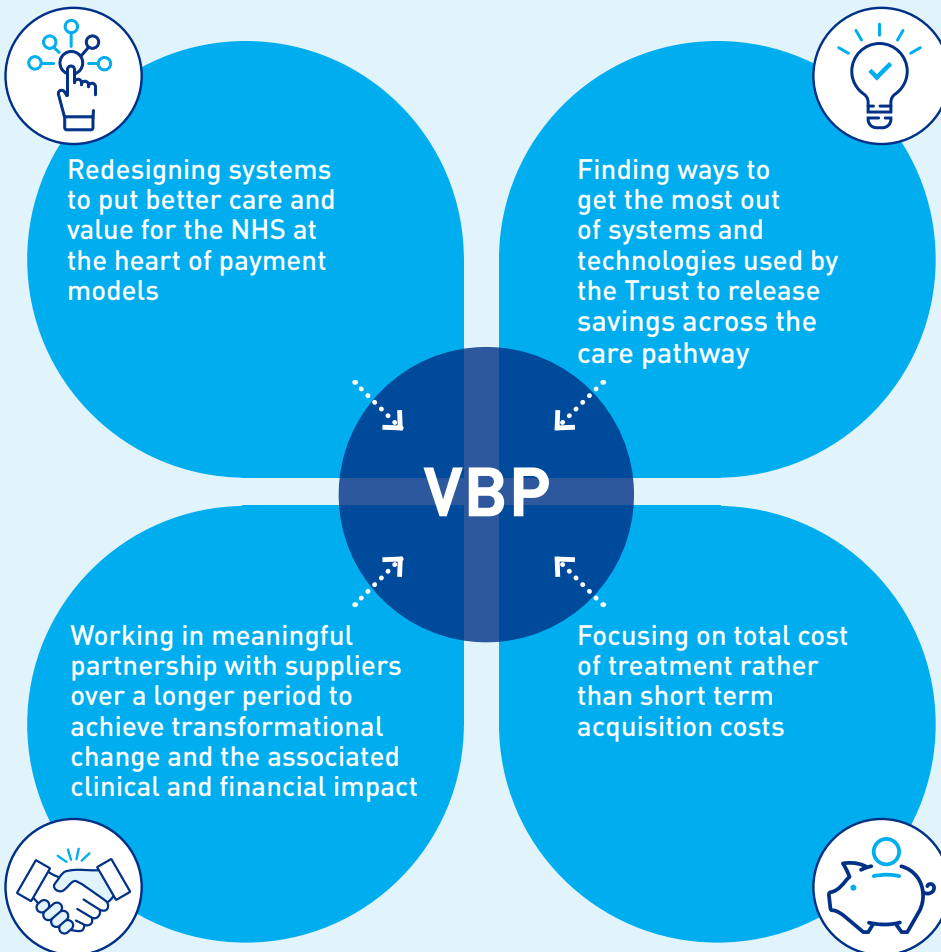




NHS Supply Chain, in conjunction with MedTech Europe, define Value Based Procurement as:

“a strategic 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].”

IN PRACTICAL TERMS THIS MEANS:

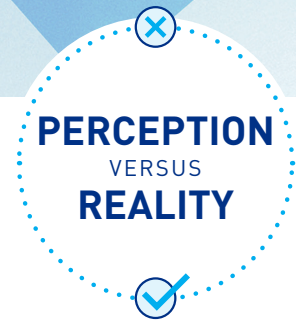


There is an important difference between value-added and value-based:

- Value-added means selling the product with something added to it, an adjunct to the product rather than being built primarily around the outcome
- Value-based means measuring and evaluating based on tangible, measurable outcomes

This definition provides us with a strong starting point to build out a roadmap for how Trusts can start to embed VBP into their procurement processes and ultimately unleash the full potential of what they have purchased.

PERCEPTION VERSUS REALITY



PERCEPTION 1:

VBP IS AN INEVITABLE NEXT STEP FOR THE NHS

REALITY:

There has long been talk of how to achieve better value through procurement in the NHS. Although there is growing interest in VBP, it is by no means inevitable that Trusts will adopt this approach. For many procurement leads, VBP is considered interesting but also challenging. Even when there is appetite from procurement, finance teams may be resistant as they may not immediately see the potential benefits.

Change can happen when procurement leads recognise the opportunity to get more value from the partnerships and suppliers they work with. Beyond this, Trusts must be committed to recognise the genuine potential of a value based approach. VBP projects will need the support of Trust leadership who are prepared to back new approaches and encourage different parts of the organisation to work together.

Successful transitions to VBP have a vision for where savings can be made and realised across the whole pathway, potentially from referral to discharge, as well as improved patient outcomes, rather than where savings can be made on product acquisition cost only. This can be hugely exciting for clinical teams, beneficial to Trusts and patients, and fulfilling for industry partners to the NHS.

Once this shift in mindset has happened, the possibilities for a VBP solution can be identified and driven forward, in partnership, by individual champions within Trusts and the supplier.

“THIS IS NOT A NEW THING. THE BIGGER QUESTION IS PROCUREMENT’S ROLE AND HOW WE USE THE PROCUREMENT INTERFACE WITH THE MARKET TO ACCELERATE ALL OF THIS. HOW DO WE START BUYING VALUE AND IMPROVEMENTS IN PATIENT CARE?”

DIRECTOR OF PROCUREMENT, NHS TRUST



PERCEPTION 2: ONE SIZE FITS ALL

REALITY:

VBP will inevitably come in many shapes and sizes. There is no such thing as a one-size-fits-all approach and no central blueprint to follow. VBP may not always be the most appropriate approach for every situation. What works for one Trust may not work for another Trust, or even for a different clinical pathway within the same Trust. For the best outcomes, Trusts and suppliers can co-create their own model from the outset, although there is much that can be learned from those who have already had success with VBP.

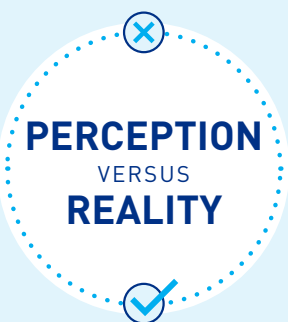
As a starting point, each stakeholder, internal and external, should consider what they need to do to succeed in their own role and how they can best work together to achieve this. This can help to frame the opportunity, allow everyone to build their understanding of what is possible and desirable, and help overcome barriers further into the project. An open-minded and transparent approach to finding the solutions that unlock savings will benefit everyone.

In our experience it is useful to start small. Identify one underperforming or inefficient area; find a suitable supplier to partner with; and use it as a test case to trial a VBP approach.

There are several tangible examples of partnerships that have started small to achieve improved outcomes, including:

- One Trust worked with a partner to reduce the number of instruments sterilised at one time from five to one; making the instruments safer and making better use of time and budgets
- Another Trust focused on examining the total cost of treatment for cataract extraction lens implants: reviewing what comes in on tariff, what procurement do with it, and the role of procurement in quantifying benefit to the system
- Baxter Integrated Care Solutions and Advanced Surgery teams are working with MFT to optimise the use of Haemostats & Sealants in surgery, creating a targeted, proactive approach to drive the outcomes that matter

In each of these instances, better outcomes were seen by both clinical and procurement teams. The Trust can then evaluate the impact of the project in terms of overall cost savings, improved ways of working, and then look at how lessons can be learnt for future VBP partnerships.



TRUSTS AND SUPPLIERS CAN CO-CREATE THEIR OWN MODEL FROM THE OUTSET, ALTHOUGH THERE IS MUCH THAT CAN BE LEARNED FROM THOSE WHO HAVE ALREADY HAD SUCCESS WITH VBP.

PERCEPTION 3: VBP DOES NOT REALISE SAVINGS IN THE REQUIRED TIMEFRAMES

REALITY:

Many procurement relationships are purely transactional. VBP is different as it focuses on the total cost of treatment rather than the initial acquisition cost.

As it requires upfront investment of time and resources from both the Trust and the supplier, success relies on a partnership that delivers a 'win-win' for both the NHS and industry. Both parties therefore need to be prepared to invest in the approach to build the confidence and commitment required.

However, the potential cost savings of an outcomes-focused VBP model can be transformative to Trusts, often as soon as they are up and running. By looking at a whole pathway, NHS teams can understand:

- Inefficiencies that can be removed
- How to get more out of the products they already purchase from suppliers
- High-cost interventions (such as overnight hospital stays) that can be reduced
- Quantifiable benefits for patients and the Trust if an alternative approach is adopted

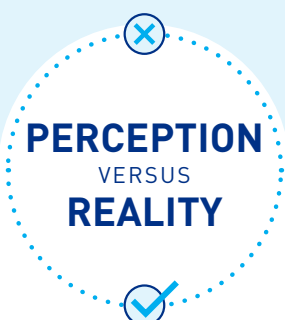
Once these are identified, it is possible to show how savings can be made in the short, medium and longer term, optimising value for all stakeholders.

“THERE NEEDS TO BE A PARADIGM SHIFT ON HOW WE RECOGNISE VALUE IN FINANCE. THE CHALLENGE IS HOW WE DEMONSTRATE VALUE AND FOR FINANCE DIRECTORS TO RECOGNISE VALUE AND CREDIT THE PROCUREMENT FUNCTION FOR DELIVERING IT. MOVING AWAY FROM TOP DOWN ‘WHAT DOES MY CIP PLAN SAY’, TO MEASURING VALUE AND PERFORMANCE IN A VERY DIFFERENT WAY.”

NATIONAL PROCUREMENT SPECIALIST

“AS A PROCUREMENT AND SUPPLY CHAIN FUNCTION WE NEED TO GET ON THE FRONT FOOT, TO LEAD ON THE CHANGE TO THE FINANCIAL REGIME NEEDED TO UNDERPIN VBP.”

DIRECTOR OF PROCUREMENT, NHS TRUST





PERCEPTION
VERSUS
REALITY

PERCEPTION 4:
ALL IT TAKES IS ONE PERSON TO DRIVE THE
PROCESS FORWARD

REALITY:

Trusts need a degree of organisational maturity and the capacity to consider VBP. Beyond this, making VBP a reality in the NHS inevitably requires a passionate leader who is prepared to work to make the change happen.

However, while strong project leadership is essential, switching to a VBP approach cannot be done in a silo.

Each contract requires buy in from the key stakeholders: Trust leadership, clinicians, procurement, industry suppliers and finance teams too. Understanding and addressing the different motivations and needs of each party is essential, as is the right governance structure to keep the project focused and delivering well.

This is likely to require:

- Early engagement with decision makers across the Trust to build understanding of their specific role and confidence in the overall process
- A willingness among all stakeholders – including Trust leaders and those in finance roles – to consider different procurement models and their value over the whole pathway
- Stronger communication between Trusts' procurement, finance teams and clinicians on where the industry can act as a conduit to support better ways of working
- Suppliers to build relationships with stakeholders across the Trust, beyond clinicians and with procurement and finance teams
- Genuine partnership between industry and the Trust to co-develop a model that works for both sides where there is shared responsibility for implementation and outcomes
- Responding to concerns with clear and realistic mapping of potential benefits and savings across the whole pathway
- Consideration of training needs to help different stakeholders across the Trust engage most effectively
- Articulating the project's successes and learnings to colleagues across the Trust in order to secure endorsement for the approach and build momentum across the Trust

“YOU’VE GOT ALL THE DIFFERENT STAKEHOLDERS: THE CLINICAL TEAM, MEDICAL DIRECTORS, FINANCE, AND PROCUREMENT, BUT IT CAN BE DIFFICULT TO GET THE RIGHT STRUCTURE... THE IMPORTANCE OF GOVERNANCE IS CRUCIAL TO MANAGE THE PROCESS AND KEEP THE MOMENTUM...TO GIVE CREDIBILITY TO THE SUPPLIER THAT THE TRUST IS ENGAGED AND TO GIVE THE SUPPLIER CONFIDENCE TO INVEST THEIR TIME.”

CHIEF PROCUREMENT OFFICER, NHS TRUST

PERCEPTION 5: IT IS IMPOSSIBLE TO MEASURE OUTCOMES

REALITY:

To make the shift to VBP, clear outcomes have to be identified and measured. This can be a challenge in many Trusts as the outcomes needed may be different to traditional procurement contracts.

“We all know budgets are siloed. So how do you get the theatre manager to agree [to a new approach] when all the benefit falls in the specialties... the conversation needs to be about creating the bigger picture... improvement in pathways is creating a healthier population that can live healthy productive lives.”

Head of Purchasing, NHS Foundation Trust

However, there are many ways to show value and benefit.

Two potential approaches:

- 1) Use the Total Cost of Care (TCOC) analysis to assess the cost of care a patient receives across all services to identify where savings and efficiencies can be made and monitor the value of products across the pathway. This should ensure the focus is on the products providing the greatest value across the full cycle of care.
- 2) The NHS has resources to support measuring patient health outcomes (for example ICHOM Standard sets) and can also measure tangible operational efficiencies (for example releasing bed days, avoiding excess outpatient follow up appointments, reducing operating time and reducing the use of blood products or transfusions). Both are important for a high performing Trust.

To complement this, suppliers require the capabilities to understand the value of their products throughout the pathway of care, expanding their engagement beyond clinicians to the value this provides for finance directors and the Trust management board. Suppliers have a crucial role to play here too by bringing technological solutions to help project teams track and monitor progress.

“Trusts need to work with suppliers to develop a common language about outcomes.”

Legal joint ventures specialist

While there is still work to be done, the NHS is improving its capability to capture and track data across systems which will open opportunities to look differently at procurement. The move towards closer integration between acute, community and primary care through the roll out of Integrated Care Systems could also help drive better monitoring of outcomes across the care pathway.

“We need systems that talk to each other (as we have in the private sector) to avoid getting stuck on data validation.”

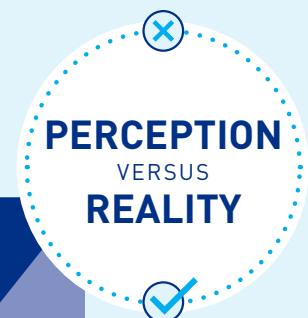
Head of Clinical Procurement, NHS Trust

“We need technology that read across the system that helps us to be informed.”

Procurement lead, NHS England

“... IN OUR TRUST WE ARE WORKING CURRENTLY TO LINK ALL THIS INFORMATION AND BRING EVERYTHING IN FROM GIRFT, PATIENT LEVEL INFORMATION AND COSTING SYSTEM (PLICS) AND OTHER SOURCES, BUT WE HAVE TO FOLLOW A PROGRAMME AND DO IT STEP BY STEP TO ENSURE WE ARE DOING WHAT WE SET OUT TO DO.”

CHIEF PROCUREMENT OFFICER, NHS TRUST





PERCEPTION 6: INDUSTRY AND THE NHS ARE NATURAL ADVERSARIES

REALITY:

One of the main benefits of VBP is that the NHS and industry can play to their strengths and both see benefits. That is why an increasing number of organisations are looking to work together on delivering solutions through innovative approaches rather than traditional price-based approaches.

The relationship between Trusts and suppliers is fundamental to the success of VBP. They must be genuine partners, committed to working together to co-develop a model that works for both organisations. Often, this will require a step change in existing approaches to joint working, as well as time and effort from both parties, especially at the start of the process. This is also likely to require a paradigm shift in the Trust's finance teams, who need to recognise the need to think differently about value, for example by recognising that the TCOT may go across multiple budgets.

A value-based approach takes time. While it may take longer to see the results, the potential is still worth realising.

“Suppliers invest a lot of time and money upfront to get these projects moving and put the systems in place to make them work. That’s why there needs to be a longer term partnership, with investment from both the Trust and supplier side, to make VBP a success.”

Head of Integrated Care Solutions, Baxter Healthcare

“A SEISMIC SHIFT IN BEHAVIOURS FROM BOTH SIDES REQUIRES HUGE ORGANISATIONAL CHANGE FROM INDUSTRY AS MUCH AS THE NHS, FOR EXAMPLE TO ENGAGE PROCUREMENT FROM THE BEGINNING. WE ALL WANT THE SAME BENEFITS.”

PROCUREMENT LEAD, NHS TRUST

“PROCUREMENT IN THE HEALTH SECTOR HAS BEEN MAKING A SHIFT OVER THE LAST FEW YEARS – AWAY FROM TRADITIONAL PRICE PROCUREMENT STRATEGY AND TOWARDS A FOCUS ON QUALITY, SERVICES AND SOLUTIONS. MORE OF A PARTNERING APPROACH IN SOME AREAS WITH SUPPLIERS AND AWAY FROM TRADITIONAL ADVERSARIAL APPROACH.”

LEGAL JOINT VENTURES SPECIALIST

PERCEPTION 7: VBP IS NOT EXCITING

REALITY:

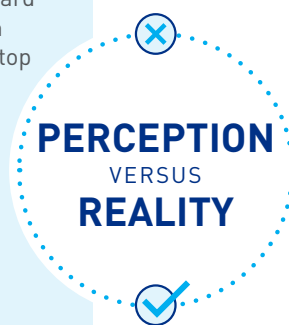
In our experience, making VBP a reality is hugely exciting for all involved.

VBP frees up procurement experts to think creatively about how to deliver more sustainable savings and outcomes. It supports an approach that does not need to compromise on quality, because improving efficiency and patient outcomes delivers medium and long term rewards.

“The only way we can make headway with this is by creating long term value based partnerships. We’ve been able to bring Baxter’s expertise together with some of the finest surgeons and consultants in the country and together we can co-develop something that will deliver improvements. There are lots of challenges along the way, particularly from finance.”

Head of Purchasing, NHS Foundation Trust

Sceptics might say to us: okay, you’ve done an exercise you’ve saved two and a half bed days on a procedure, so what? Can we close a ward? Can I redeploy half a dozen nurses? So the next question is: what can I do with the bed days released? Can we take people who would routinely recover in ICU onto a ward recovery basis as we’ve got the beds there? Does this mean we can list more ICU procedures? Does this mean we can stop cancelling operations on the day because we don’t have an ICU bed for them?



“SO ALL THE TIME WE’RE TALKING, WE’RE OBSERVING, WE’RE DEVELOPING, AND THE BENEFITS ARE COMING OUT. THINGS THAT WE NEVER THOUGHT OF BECOME CLEAR AND IT’S SO EXCITING. WE DON’T KNOW WHERE IT’S GOING TO TAKE US BUT WE REALLY, REALLY WANT TO EXPLORE IT.”

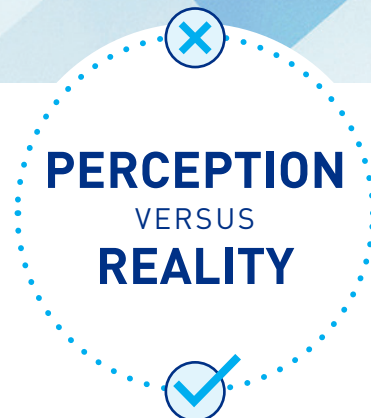
HEAD OF PURCHASING, NHS FOUNDATION TRUST

NEXT STEPS

The benefits for the NHS from increasing the use of VBP are now well-established. Momentum is building and there are a growing number of advocates keen to move from theory into action. The time is now.

WHAT DOES IT NEED?





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