

Procurement & Supply Chain

March 2023

Questions

With acknowledgement to JnJ:

- What is the national structure and how will the districts operate?
- How will procurement work i.e. clarity of roles with the combination of HealthSource and NZHP into Te Whatu Ora?
- Where does PHARMAC fit in the procurement model?
- Relationship with Te Aka Whai Ora?
- Update on the process for introducing new products or upgraded products?
- Where is the Health Sector Catalogue (HSC) up to and how will it be used?
- How can we work together to share information and reduce the duplication of effort for requests eg. WAND, PHENZ, IFU, product brochures etc.?



Procurement and Supply Chain

Operating Model (four workstreams)

Te Whatu Ora Procurement & Supply Chain

Our vision

- Highly customer centric team - one team with a distributed footprint to ensure that we remain connected to those customers in our local hospitals and communities who provide care to patients and their whanau. Where our health staff have the resources they need, when they need them to effectively care for their patients
- Proactively work alongside Te Aka Whai Ora to help reduce inequitable health outcomes and unmet health need, particularly for Māori
- Leverage our scale, reduce unwarranted variation, eliminate duplication, and work with our suppliers to take tangible cost out of the system and increase public value from the money we spend
- Implement world class systems and processes so that we can release time to care, building upon what currently works well and making changes where we know it will deliver better services
- Enable our people with training and development and provide an environment where they have authority to act within the parameters of their role

Key challenges

- System fragmentation
- Variable clinical engagement
- Poor focus on equity

Future state examples

When we implement our operating model we envisage:

1. More ward, theatre, radiology and lab stores managed by inventory staff, releasing clinical staff from the burden of ordering and allowing them to focus on patient facing mahi.
2. Active programme with top 25 suppliers focussed on taking cost out of our supply chains and bringing staff and patients their best game.
3. Robust national process for the assessment of new health technology to give clarity to which products will deliver the most benefit to patients.
4. National process for managing clinical equipment, dramatically reducing the time clinical staff spend on finding existing equipment and developing business cases for replacement equipment.
5. A national progressive procurement policy which will guide our spend to support broader outcomes in our communities.
6. We will create national visibility of product availability that will allow us to better support the front line during stock shortages and recalls.
7. Speed up product evaluations – a nationally aligned process will reduce the burden on each staff to complete similar tasks.

Establishing the operating model

Step 1: A National leadership structure

- Leadership structure (Tier 4 and 5) that for now “sits above” the existing P&SC teams and structures
- Does not affect any existing role, however it does signal the intention for the future P&SC operating model and what subsequent changes might look like
- Geographically distributed national leadership with local/regional ‘account management’ responsibilities

Step 2: Consult on detailed operating model

- Full consultation on new operating model and associated changes commencing 14th Apr 2023
- Policies, process, systems, and procedures developed once at a national level and apply across the P&SC system
- Drive standardisation and eliminate duplication ensuring a consistent and repeatable operating model

Operating Model Basis

Nationally Led – Nationally,
Regionally and Locally
Delivered

Six P&SC functions

- Procurement
- ICT Commercial
- Supply Chain
- Clinical Product Management
- Strategy and Engagement
- Systems, Data & Business Improvement
- Adding OSS Strategy & Integration Lead
- Potential to add Equipment Management

National Procurement & Supply Chain

T3

Director Procurement
& Supply Chain
Chris Morgan

T4

GM – Procurement
Rod Treadwell

GM – ICT Commercial
Paul Jordaan

GM – Supply Chain
Koen Hendrickx

GM – Clinical Product
Management
Renee Montgomery

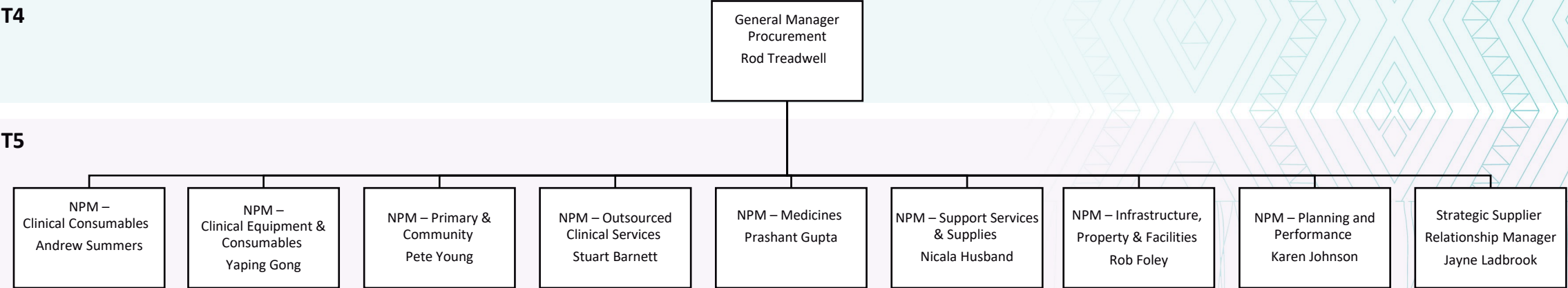
GM – Strategy &
Engagement
Ashton Kirk

GM – Systems, Data &
Business Improvement
Ingrid Ter Beek

OSS Strategy &
Integration Lead

SLT also includes:
National Clinical Lead
Equity Lead
Sustainability Business Partner
Transformation Director
HR/OD Business Partner
Finance Business Partner
Comms Business Partner

Procurement Team Structure



ICT Commercial Team Structure

T4

GM – ICT Commercial
Paul Jordaan

T5

National Procurement Manager –
ICT, Infrastructure, Storage and
Telecoms
Garron Smith

National Procurement Manager –
ICT Professional Services
Ginny Buell

National Procurement Manager –
ICT Business Applications
Rachel Stedman

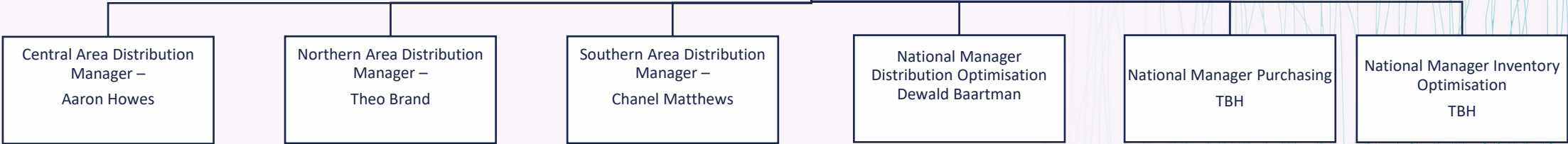
National Procurement Manager –
ICT Clinical Applications
TBH

Supply Chain Team Structure

T4

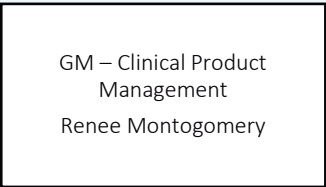
General Manager Supply Chain
Koen Hendrickx

T5

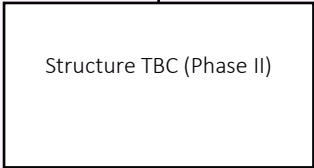


Clinical Product Management Team Structure

T4



T5

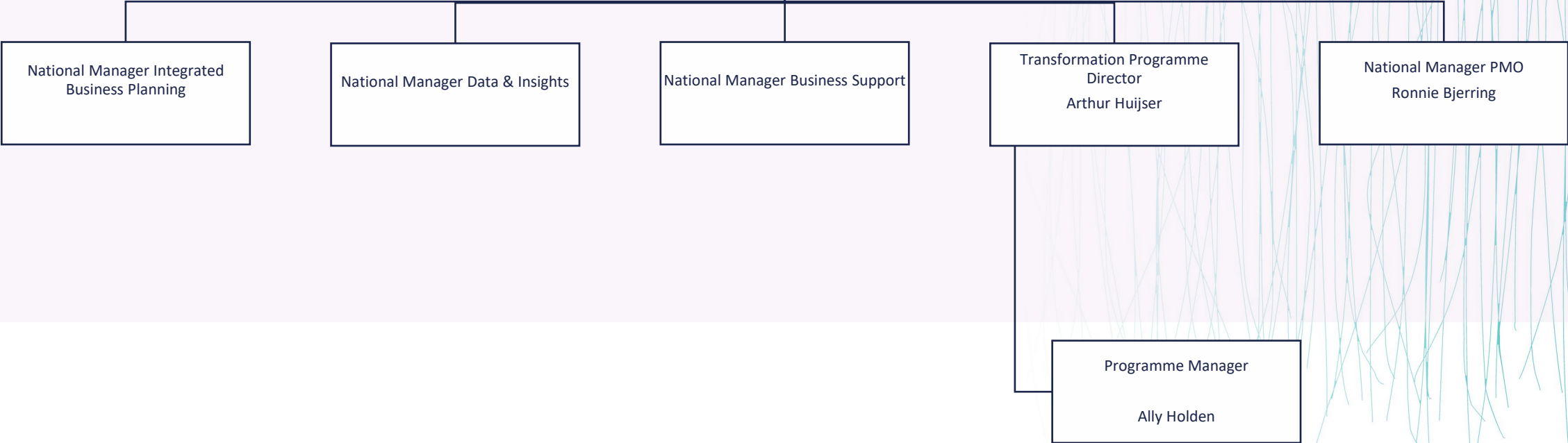


Systems, Data & Business Improvement Team Structure

T4



T5



Strategy and Engagement Team Structure

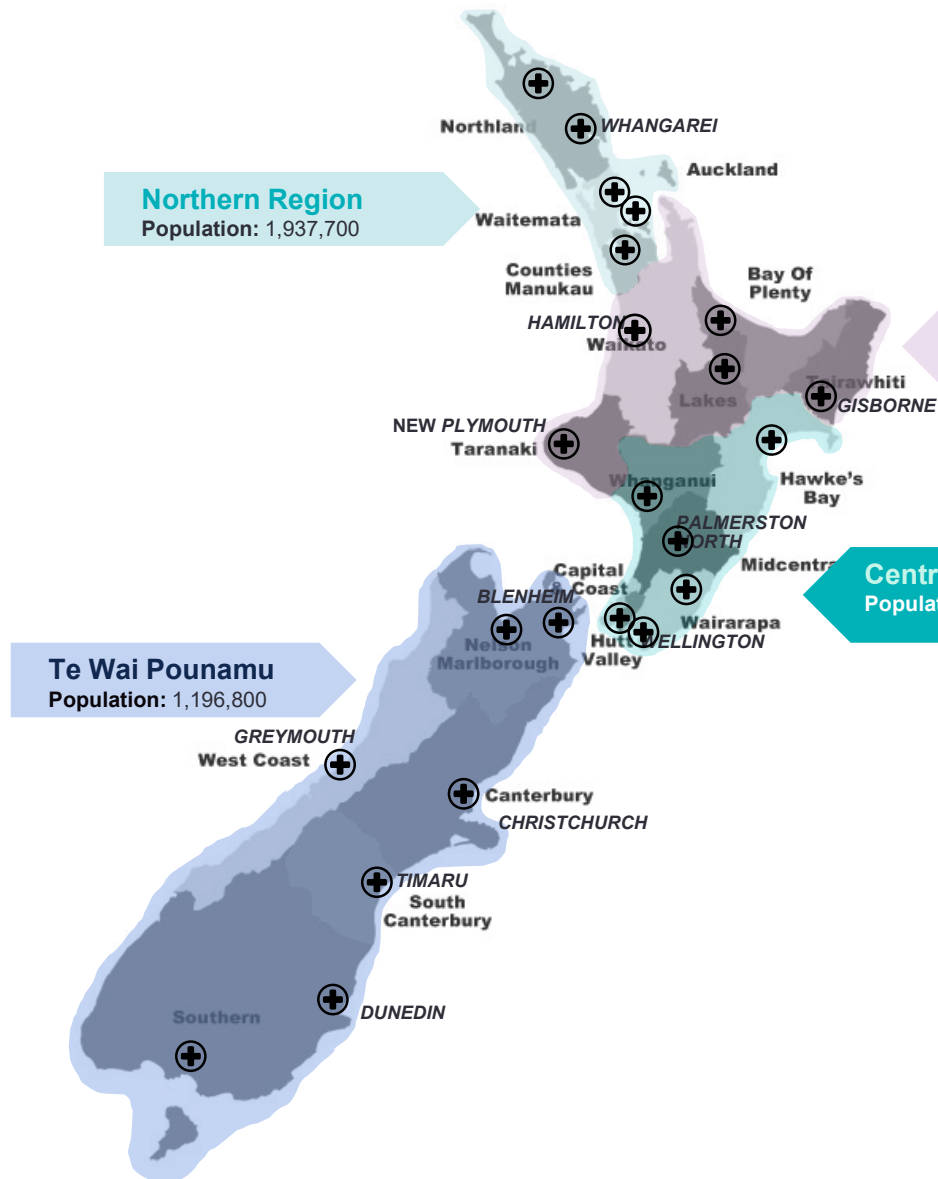
T4

General Manager Strategy and Engagement
Ashton Kirk

T5




Equipment Management Current State Findings




 **Equity maturity low across Equipment Management**

 **236,075 medical devices across the Districts**

 **\$1.8b Replacement Value Assets on hand**

 **168,897 Work Orders by 9 Districts (~375k)**

 **~217 Clinical Engineering FTEs**

 **\$276.4 million/ annum is spent on services and goods to support equipment**

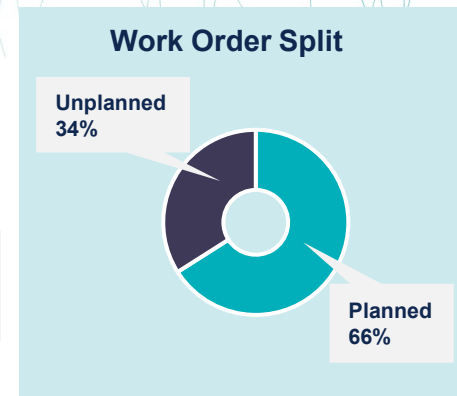
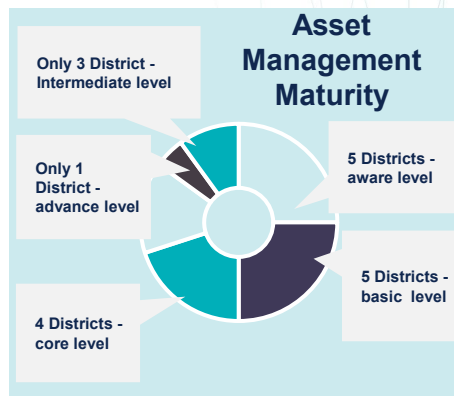
 **+490 Suppliers**

 **Processes disaggregated and varied across Districts**

 **General Compliance rate of 81%**

National Covid Equipment Reserves

- Ventilators
- Non-Invasive Respiratory Equipment
- Physiological Monitoring Equipment
- Vital Signs Monitoring Equipment



Equipment Management

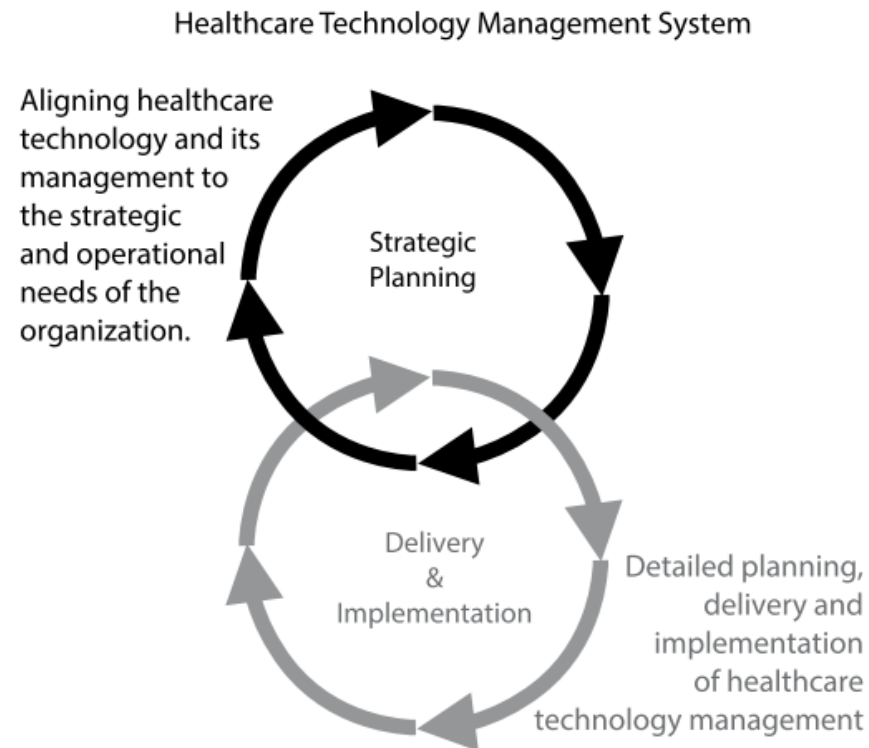
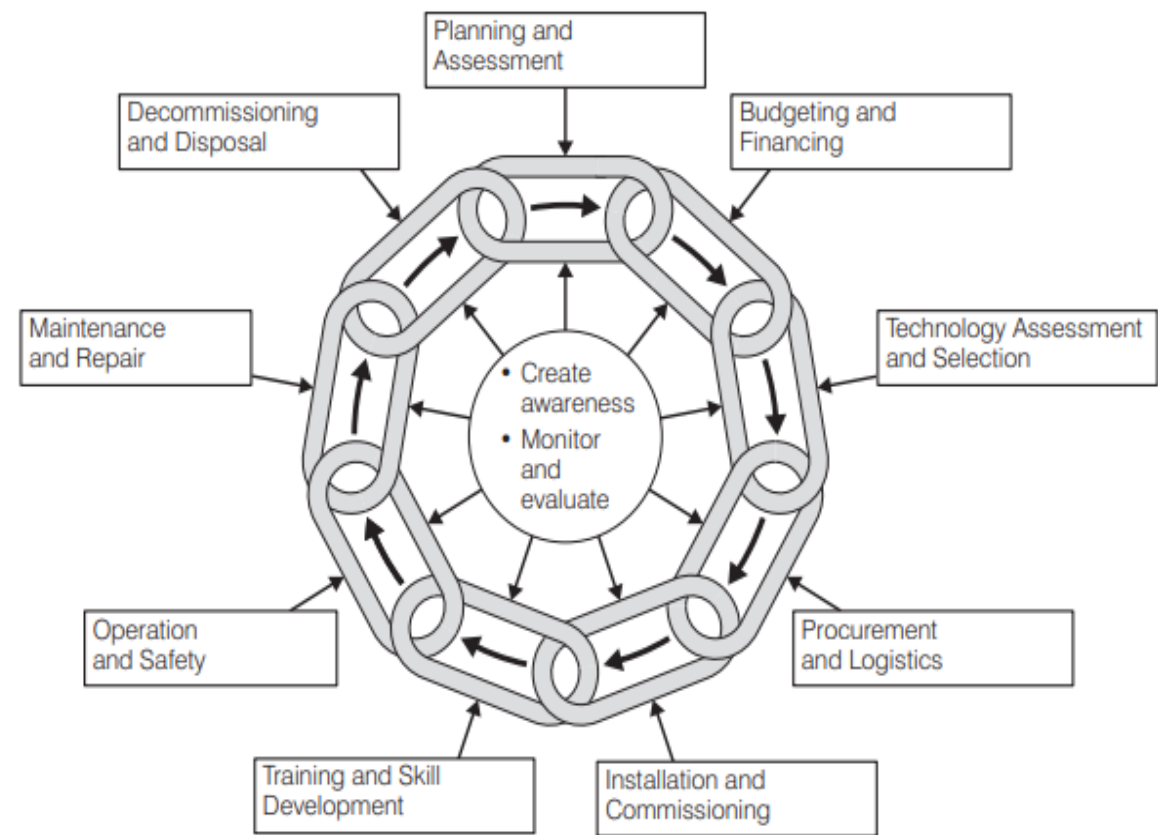


FIGURE 4.12 The two interlocking cycles of a Healthcare Technology Management System.

Figure 3: The Healthcare Technology Management Cycle



Operational Support Services Current State Analysis

Key findings

- Mixed model: no services are completely in-house or outsourced
- Leadership split between operational (COO, Clinical directors) and support functions (CFO, Commercial/Support Services Directors)
- Minimal national leadership, some evidence of opportunistic collaboration at a regional level
- Decisions to insource or outsource made dependent on the philosophy of DHB leadership teams and availability of local service providers
- Low level of maturity regarding both Equity and Sustainability within these services, although there are some good examples of initiatives at the local level
- Range of ICT systems used to manage delivery of services; range of equipment used but this varies by District as these services had typically not been high priorities for investment by the DHBs

Key dimensions

- Total cost circa \$446m p.a. of which \$257m (58%) is outsourced
- In-house services are resourced by >3,000 FTE
 - Actual head count higher due to significant number of part-time and casuals
 - Circa 90% classified as Protected Workers under the Employment Relations Act
 - Significant proportion of Te Whatu Ora's lower paid staff



Procurement and Supply Chain

Relationship with Pharmac

Working together

Critical that Pharmac and Te Whatu Ora work effectively together:

- Active relationship management – made easier with Te Whatu Ora being one organisation
- Share data, align systems and processes, e.g. contract management system and Health Systems Catalogue
- Agree a programme of work to accelerate value, e.g. optimisation and reducing supply chain costs

Pharmac review

- Recommended that responsibility for procurement of medical devices should transfer to Te Whatu Ora
- Government stated that it did not agree that Pharmac's responsibility for pharmaceutical devices should be transferred to Te Whatu Ora **at this stage**, while Te Whatu Ora is being established
- Further, the Minister of Health has asked Pharmac to continue to work closely with Te Whatu Ora as it works to promote consistency in health services across New Zealand



Procurement and Supply Chain

Relationship with Te Aka Whai Ora

A health system that works for Māori, works for everyone

- Te Aka Whai Ora Māori Health Authority is an equal partner in the reformed health system of Aotearoa New Zealand
- An organisation that puts a Te Tiriti lens on the delivery of all health services for Māori, Te Aka Whai Ora work together with Te Whatu Ora Health New Zealand and Manatū Hauora Ministry of Health
- Te Aka Whai Ora role is to lead and monitor transformational change in the way the entire health system understands and responds to the health and wellbeing needs of whānau Māori

E kore tēnei
whakaoranga e huri ki
tua o aku mokopuna

Our mokopuna shall
inherit a better place
than I inherited

Pae Ora (Health Futures) Act

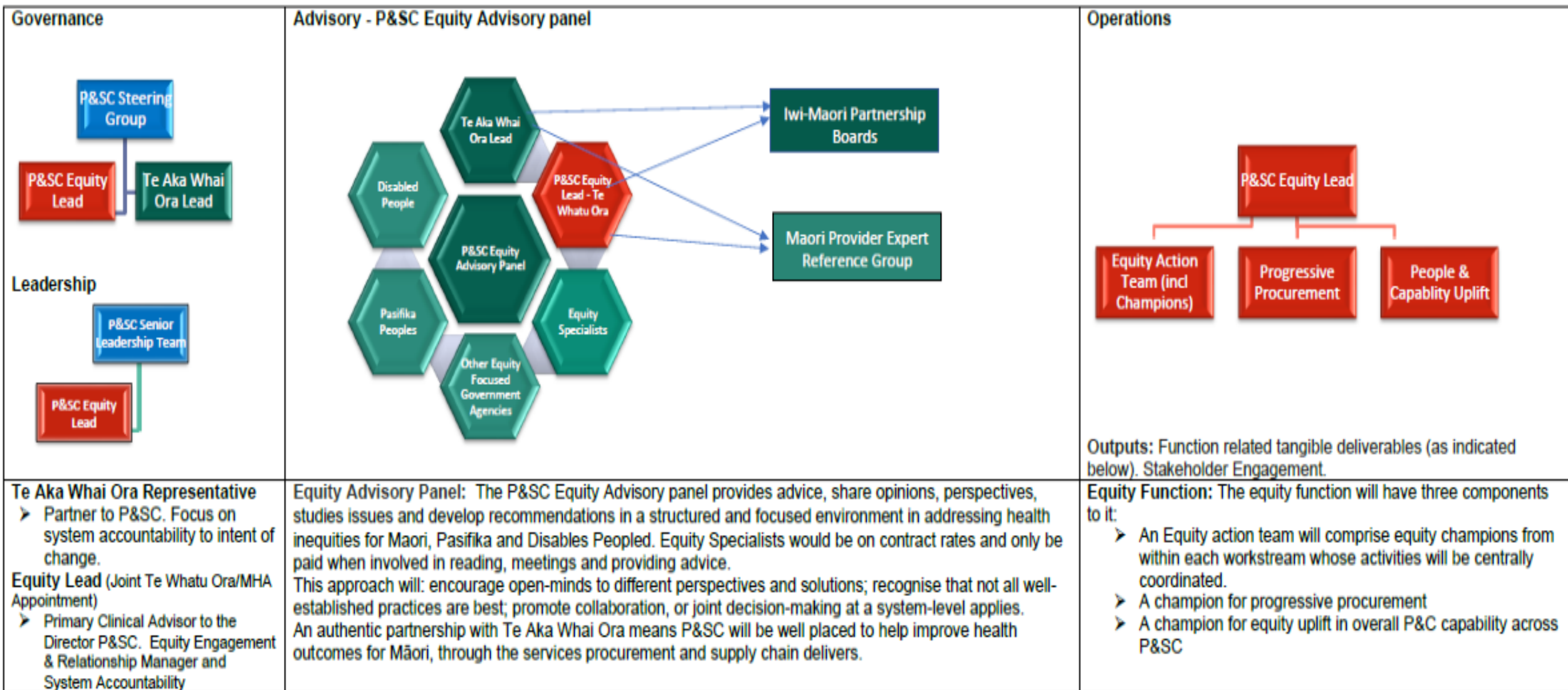
The key system shifts

- The health system will reinforce Te Tiriti principles and obligations
- All people will be able to access a comprehensive range of support in their local communities to help them stay well
- Everyone will have equal access to high quality emergency and specialist care when they need it
- Digital services will provide more people the care they need in their homes and communities
- Health and care workers will be valued and well trained for the future health system

Our new health system

- Embedding a Tiriti-dynamic health system
- Health equity matters for everyone
- Implementing a population health approach
- Ensuring a sustainable health service delivery system

PROPOSED - EQUITY ENABLEMENT MODEL



STRATEGY: A procurement and supply chain system that contributes to equitable health outcomes, equitable levels of services and equitable access to health service in proportion to the health needs of Maori and other populations groups.

In partnership with the Te Aka Whai Ora - Māori Health Authority and aligned with Te Aka Whai Ora priorities, is to deliver improved procurement and supply chain outcomes for (Māori) providers and ensuring health equity is at the forefront of decision-making at all levels

IMPLEMENTATION: Pri 1: Establish Equity Capability within P&SC. Pri 2: Establish Partnerships and Networks. Pri 3: Co-Design and Embedded Equity Policy and Processes. Pri 4: Progressive procurement. Pri 5: Deliberate action to recruit and retain a diverse workforce at all levels.



Procurement and Supply Chain

**New product
intro and
sharing data**

Product

- Continue to use existing process for new or upgraded products, however:
 - We are increasingly taking a national view
 - We will design a single, nationally consistent and integrated process (under GM Clinical Product Management) to reduce the duplication and effort. Expect to leverage the investment in the HSC.
 - We are starting some work on scope / design for a national health technology assessment process (under National Clinical Lead)

Questions:

- Update on the process for introducing new products or upgraded products?
- How can we work together to share information and reduce the duplication of effort for requests eg. WAND, PHENZ, IFU, product brochures etc.?



Procurement and Supply Chain

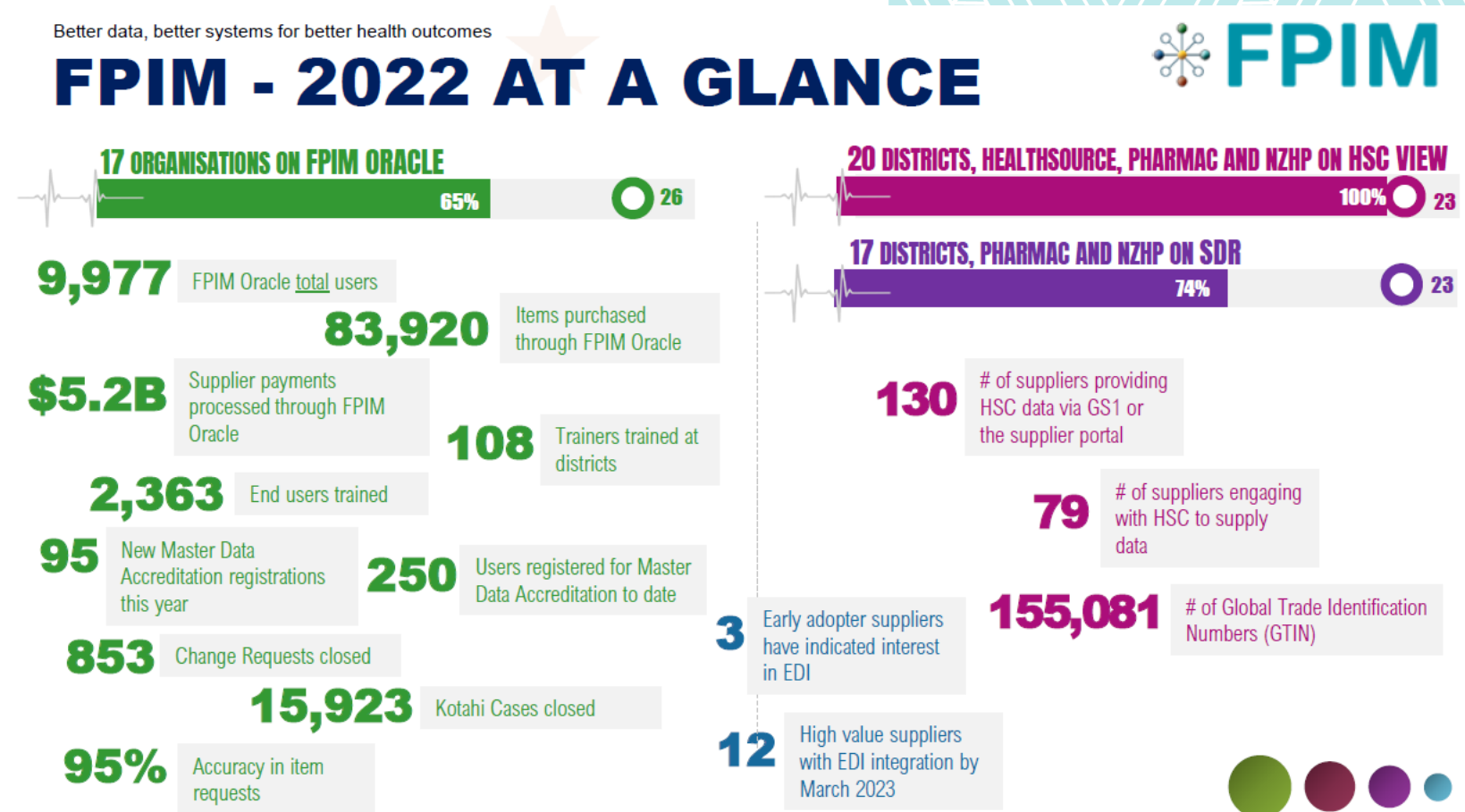
Health Systems Catalogue

FPIM and HSC

- Progress with HSC is good
- Note that this is one component of systems improvement
- Next step is to interface this into Oracle catalogue to increase ordering efficiency / accuracy

InJ Questions:

- Where is the Health Sector Catalogue (HSC) up to and how will it be used?





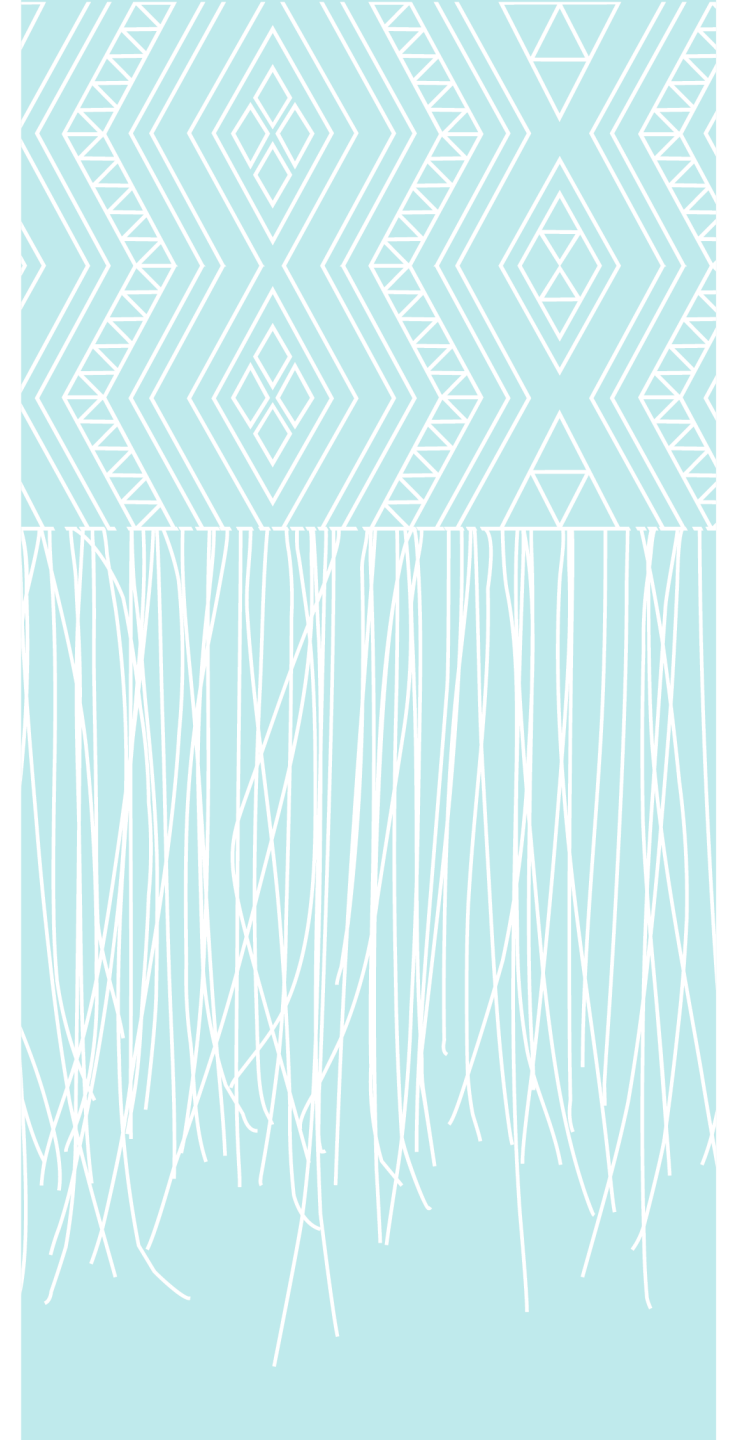
Ngā Mihi

Questions

Pae Ora (Healthy Futures) Act – Principles

The Pae Ora legislation set out six principles for the health sector. Particularly relevant to medical devices is that the health sector should:

- Provide choice of quality services to Māori and other population groups, including by harnessing clinical leadership, innovation, technology, and lived experience to continuously improve services, access to services, and health outcomes
- Protect and promote people's health and wellbeing, including by working to improve mental and physical health and diagnose and treat mental and physical health problems equitably



Te Pae Tata – Interim NZ Health Plan 2022

3.7.3 Procurement and Supply Chain function

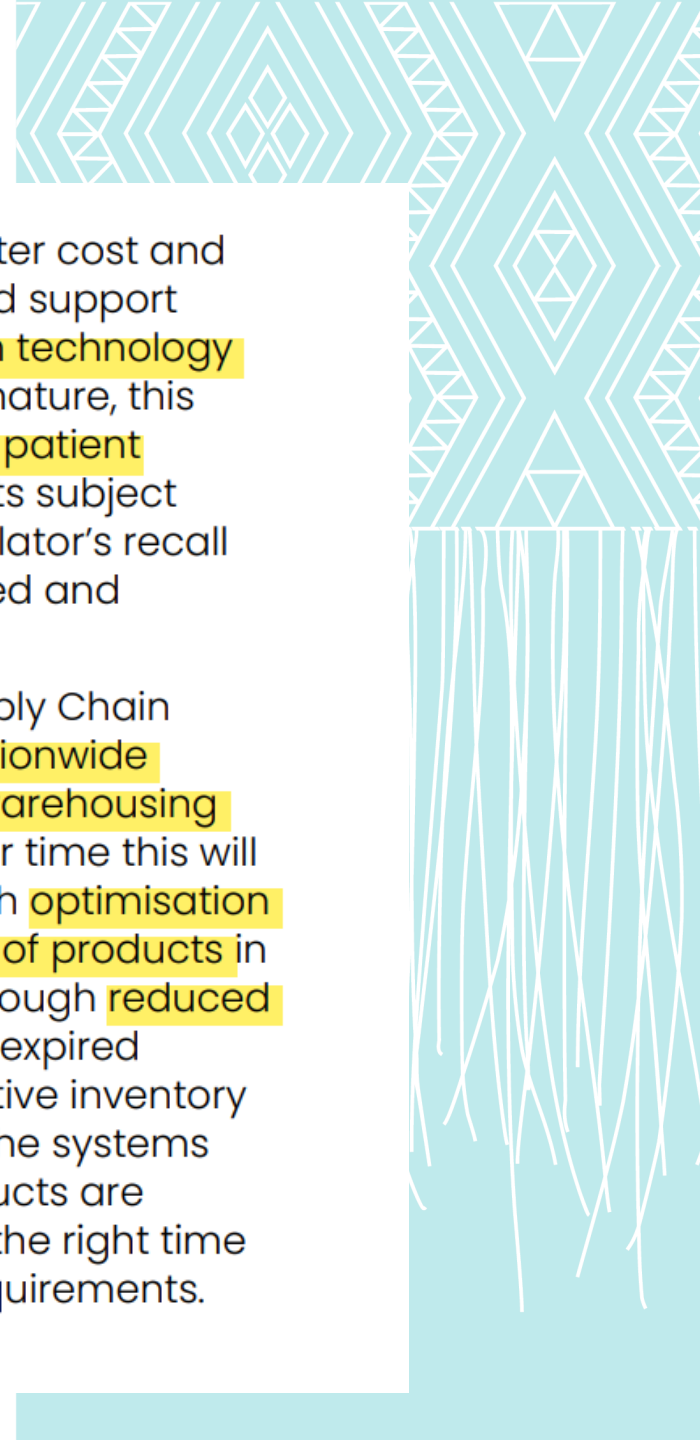
Te Whatu Ora will build an integrated, equitable, clinically enabled and sustainable procurement and supply chain system. Our procurement and supply chain teams will be brought together into a **single function**.

Te Whatu Ora will leverage its scale to **negotiate improved terms** for delivery of products and services it relies upon, **securing savings** for Te Whatu Ora and **streamlining the cost of doing business** for our suppliers.

The Procurement and Supply Chain function will build on work already underway to **implement a national digital product catalogue** using global product standards and being interoperable with the Australian national product catalogue. Over time, this catalogue, together with national

contracts, will deliver greater cost and demand transparency and support the **development of health technology assessment**. As systems mature, this will **drive improvements in patient safety** and ensure products subject to a manufacturer or regulator's recall notice are promptly located and removed from inventories.

The Procurement and Supply Chain function will develop a **nationwide inventory management, warehousing and logistics strategy**. Over time this will lead to **efficiencies** through **optimisation of the types and numbers of products in inventory holdings** and through **reduced wastage** of under used or expired products. Ultimately, effective inventory intelligence will underpin the systems that ensure the right products are ordered and deployed at the right time for each patient's care requirements.



Procurement and Supply Chain Strategy

2022–2024

Te Whatu Ora
Health New Zealand

1. Our purpose

All staff have the resources they need, when they need them

Procurement and supply chain services support health staff to effectively care for their patients, irrespective of geographical location. Success is helping to reduce inequitable health outcomes and unmet health need, particularly for Māori, by ensuring all staff have the resources they need, when they need them.

4. Approach

A collaborative approach to better address opportunities and issues

Good procurement and supply chain management relies on understanding how we influence, impact, and interact with the health system overall, which results in a product, service, or outcome bigger than our individual parts.

We aim to drive improvement that benefits all our customers by adopting a collaborative approach when opportunities and issues arise. This means including and listening to a range of perspectives, which can help us improve service delivery, over time.

2. Our aim

Build upon what currently works well and make changes where we know it'll deliver better services

How we approach procurement and supply chain management influences the availability and accessibility of health services delivered. We aim to contribute to Pae Ora (Healthy Futures), by building upon what currently works well and make changes where we know it'll deliver better services and health outcomes for everyone.

5. Structure

Centre-led: nationally, regionally, and locally delivered – everyone plays their part

Procurement and supply chain is centre-led, with service delivery taking place at a national, regional, and local level.

Although our partners may differ depending on the setting, we will introduce better procurement and supply chain services at all levels. Challenging historical practices, and creating new ones are important steps towards delivering better public value. This also relies on everyone playing their part.

3. Why have a strategy?

It guides implementation plan actions, which brings our strategy to life

Our strategy aligns with Te Whatu Ora – Health New Zealand's overarching aim of building a simpler and more coordinated health system that will support all New Zealanders to live better and longer. It also guides our implementation plan actions over the next two years.

6. Te Aka Whai Ora – The Māori Health Authority

Authentic partnership produces the best results

Improving Māori health outcomes and embedding the principles of Te Tiriti o Waitangi are central components of the health reforms. Therefore, partnering with Te Aka Whai Ora to build a responsive and effective national procurement and supply chain service is imperative. Authentic partnership means:

- being open-minded to different perspectives and solutions
- recognising not all historical practices are always best
- collaboration or joint decision-making at a system-level applies.

7. Strategic objectives

Our strategic objectives give effect to organisational priorities

Our two-year strategy looks to strike a balance between laying the foundations of a high-performing national procurement and supply chain service and delivering immediate benefits to the health system and everyone we work with. Our strategic objectives focus on:

1. Establishing clear leadership responsibilities and accountabilities
2. Implementing a national procurement and supply chain operating model
3. Developing our understanding of health equity to support better decision-making processes
4. Improving procurement and supply chain resilience and risk management practices
5. Strengthening our data and insights capability, which supports evidence-based decision-making
6. Adopting and embedding best practices across procurement and supply chain to deliver a world class service
7. Enabling the best possible health outcomes through the services we deliver
8. Reducing our carbon footprint and supporting Te Whatu Ora's wider sustainability programme