

## The Hillingdon Hospital

NHS Trust

# SUCCESSFUL IMPLEMENTATION OF E-PROCUREMENT PLUS CASH SAVINGS OF £500,000 PER ANNUM

### Introduction

Hillingdon Purchasing & Supplies Department (HPSD) is the Procurement Department of The Hillingdon Hospital NHS Trust. The Head of Purchasing is Brian Saunders, who is supported by 15 other members of staff. Their current procurement spend is £55m of which £22m is influenceable.

In 2002 they had identified a number of situations they thought should be improved.

These were as follows:

- Orders were placed manually
- Their 'dwell time' which was the delay between receiving a requisition and placing the order, was anything up to 6 weeks
- The cost of placing an order was £35, which was thought too high
- Poor descriptions on orders were causing mistakes or delays on deliveries
- The procurement system contained no procurement history, so this had to be sought from suppliers
- Orders were placed by phone without authorisation
- Call off orders were posing a big problem as they were not under control. This was where a blanket order was placed with a supplier for anything ordered over a period of time, with no check on price
- Invoices were not matched with orders, so were paid even if incorrect
- Contract prices were often ignored by suppliers as the prices paid were not checked
- All the above problems also meant that best prices were not being obtained, so there was scope for overall savings on spend

It was decided that the Trust urgently needed to start a project to improve the above problems, and achieve the following aims:

- Introduce e-Procurement
- Place most orders within a few days of receiving the requisitions
- Reduce the cost of placing orders
- Improve product, service and supplier knowledge
- Gain control over prices to ensure contract prices are adhered to by suppliers
- If possible, introduce zero tolerance on price differences between orders and invoices
- Rationalize products and suppliers, i.e. reduce the overall number of suppliers and the range of products bought
- Maintain own high quality procurement history to negotiate better contracts with suppliers
- Become a highly efficient procurement department
- Introduce barcode top-up systems to departments
- Gain all the advantages from the e-procurement system and issue 45% of orders electronically

### The Savings

The department are delighted with the results as all expectations had been met. Brian Saunders said "Without NSV the improved efficiency and savings would not have been possible, zero tolerance on invoicing has become a reality and is now saving £250,000 per year."

The overall saving through greater efficiency is at least £500,000 per year, and this does not include hidden savings through being more efficient, e.g. not returning products incorrectly ordered or delivered.

Using CIL costs Hillingdon about £15,000 per annum, which is 3% of the savings made so the Return on Investment (ROI) is extremely high.

Brian also added "because CIL always check the description of items to be ordered, it gives the buying team reassurance that the correct items are on the order."



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### Original Method

A vital part of the project was to introduce e-Procurement, as this should provide the information electronically needed to achieve the other aims. So for the next three years Brian looked at various providers of e-procurement systems already in use in the NHS. However there seemed little difference between them all. Eventually he finally decided on Cedar as their systems were already in use at the hospital (Cedar later changed their name to Advanced Business Solutions)

In 2005 a pilot was started with just 3 departments, but almost immediately ran into trouble, as it was soon found that a coding system, complete with good quality descriptions of products and services, was needed to make it work.

Brian now looked for a procurement coding system that would work within their Cedar system, and chose a coding system already in use within the NHS.

This coding system comprised of a list of headings supplied by NHS Purchasing and Supply Agency (PaSA). The headings had an alphabetical code of 3 letters. To use these headings as a coding system PaSA advised Trusts to add their own numbers and descriptions to the heading letters.

Brian created and recruited a Contracts Database Administrator role to describe and code the products. Very soon it was discovered that this is a very difficult and specialist job. It was found that the creation of descriptions alone was frustrating, as each time the same or similar product came up for order or to be added to a catalogue, the description could be improved as the old one was thought inadequate. This meant that the creation of codes and descriptions was far harder and consequently took far longer than expected. This nearly led to the whole project being abandoned. After attempting to create codes and descriptions for 8 months themselves, it was proving to be a task that was too difficult.\* (See Flaws)

### New Method

Then in 2006 Brian rediscovered Coding International Ltd (CIL), a company that provides a procurement coding service which includes detailed, standardized descriptions. Originally they were a centralised department within the NHS, but in October 2000 they had been privatised. As part of their services they still manage and maintain the National Supply Vocabulary (NSV) - the original NHS coding system. As their privatisation had not been widely advertised within the NHS, Brian thought they no longer existed and was relieved to find they still did.

A contract was agreed with CIL for the provision of NSV codes with Standardized Descriptions. The codes and descriptions are provided on a system called Track-IT. For products not already on the systems a fast turnaround of code requests is guaranteed.

The old catalogues were scrapped and new ones were started using the NSV codes and descriptions. The Project was soon back on track as there were no implementation problems with using CIL.

### Immediate improvements

Brian could not believe the high quality of the new descriptions and commented, "The quality of the descriptions was better than we could previously have dreamed of."

The NSV code and description now became the primary key to which all data referred. This meant that the e-procurement system could now be used properly with orders being placed electronically. With the system running efficiently other departments were added and more benefits ensued:

- The prices of the same products supplied by different suppliers could be compared, so that lower prices are paid
- The quality of the orders improved with the high quality of descriptions. Suppliers liked the descriptions as they reduced mistakes on the orders to a minimum
- Good procurement history was now being created on products, services and suppliers
- Reports were now available from the system on products ordered and from which suppliers

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### Longer Term Benefits

Since the successful implementation of e-Procurement using NSV in 2006, many more improvements have been possible from the original list of desired solutions:

- The buyers are now processing four times the number of orders with the same team, cutting the costs down to £17 per order
- The 'dwell time' or the time it takes from receiving a requisition to placing the order is now down to an average of 3 days
- The original goal of issuing 45% of orders through electronic means has been easily achieved, with over 70% of orders being transmitted by e-procurement, which is now regularly over 2000 per month
- Product rationalization – once the clinicians were able to see reports on the wide variety of products purchased, they soon agreed with rationalization so that fewer products needed to be bought
- Supplier rationalization - the same happened with suppliers i.e. on prostheses products there were originally 15 suppliers; these are now reduced to 3. They ultimately aim to have only one supplier for knee prosthetics, one for hips etc.

The overall effect of the rationalization is that fewer orders are raised on fewer suppliers and products. This makes the orders more efficient, the average value higher but less overall goods receiving and invoicing.

### Future

Because of the successful implementation of e-Procurement, other parts of the Trust that previously bought their own products are now in the process of being taken over by HPSP; these include the Surgical Orthotics Department and the Estates Department where they expect to continue making more savings.

A bar coding system based on the NSV Code has been introduced in the pathology department to help with a top-up stock control system, this will then be rolled out to other departments where appropriate.



Brian Saunders has now signed a four year contract with Coding International to ensure that he continues to get the benefits and savings of using NSV; his advice to anyone considering introducing e-procurement is: "see CIL first"

### Flaws in the PaSA Coding System

\*There are several flaws in using the coding system suggested by PaSA that PaSA had overlooked:

- Without guidance and quality assurance, the allocation of headings is subjective. This means that anyone allocating these headings could pick different ones.
- Reports using only headings serve little purpose and only give an indication on spend generally.
- The point of a coding system is that all users are using the same codes as each other; to let Trusts locally code and describe products makes this impossible.
- Information within a computerised procurement system has to be accurate, with the headings for the same products always created the same, word for word.

To find out more about Coding International Ltd please contact:

T: 023 80 554 111

F: 023 80 554 999

E: [terry@codinginternational.com](mailto:terry@codinginternational.com)

<http://www.codinginternational.com>

Coding International Ltd  
Fairways House  
Mount Pleasant Road  
Southampton  
SO14 0QB