

# THE IMPORTANCE OF PROCUREMENT AGILITY IN OPTIMISING SAFETY AND VALUE FOR PUBLIC HOSPITALS AND PATIENTS

Lin W<sup>1,2</sup>, Chynoweth T<sup>1,3</sup>, Ong J<sup>1</sup>, Hui C<sup>1</sup>, Cross D<sup>1</sup>

<sup>1</sup>Health Purchasing Victoria <sup>2</sup>Pharmacy Department, Austin Health <sup>3</sup>Pharmacy Department, Monash Health

## Background

Australia's pharmaceutical market operates in a dynamic competitive landscape, with rapid and significant change occurring as innovator medicine patents expire. Agile procurement practices help ensure health services pay prices that accurately reflect developing market conditions. One of the ways Health Purchasing Victoria (HPV), a state-wide procurement organisation, responds to this dynamic market is to conduct rapid small (or "supplementary") tenders outside of its main contract cycle.

## Aim

To demonstrate the value added by state-wide supplementary tenders for pharmaceuticals product in addition to major sourcing events.

## Method

A retrospective study was conducted to identify the financial and non-financial benefits reported for the pharmaceutical supplementary tenders by HPV, conducted on behalf of public health services between September 2012 and September 2017. The study identified the number of supplementary sourcing events, the scope of procurement activities, the type of stakeholder engagement, and the financial and non-financial benefits for health services.

## Results

HPV conducted a total of nine state-wide pharmaceutical supplementary tenders between September 2012 and September 2017, with major sourcing events occurring in September 2012, 2014 and 2016. These supplementary sourcing events included 102 different medicines with 190 presentations, delivering an estimated \$25.86 million in cost reduction which would not have been achieved if tendering for these medicines had been postponed until future major sourcing events. The key reasons for their inclusion in a supplementary tender were: changes in market dynamics (81.6%), clinical acceptability (8.4%), and products not awarded in a previous major sourcing event (7.9%).

Reason for inclusion in supplementary tender	Percentage
Market dynamic change	81.6%
Clinical acceptability	8.4%
Products not awarded in previous major sourcing event	7.9%
Unable to supply	1.6%
Category management	0.5%

Table 1: Reasons for medicine inclusion in a HPV supplementary tender

Since the last major sourcing event in September 2016, HPV has conducted three supplementary tenders for pharmaceutical products, with an average turnaround time of 48 days from the tender release date to the contract start date.

HPV established a quarterly Executive Reference Group (ERG) meeting consisting of Directors of Pharmacy from 18 health services across metropolitan and regional areas in Victoria to address category-related concerns. ERG members play a critical role in endorsing medicines for market engagement, providing feedback and evaluating product packaging and labelling to ensure it meets clinician needs. The strong rapport and ongoing engagement with health services ensures HPV is able to respond rapidly to safety concerns, reduce clinical risks, optimise patient outcomes, and improve the value captured in HPV's sourcing activities through collaborative opportunity identification.

## Discussion

The driver for a more agile approach to procurement is the significant pharmaceutical patent expiry and biosimilar introduction expected to occur in the Australian market in the coming 12-24 months. The annual expenditure for these medicines is estimated to be \$48.95 million for Victorian public hospitals.

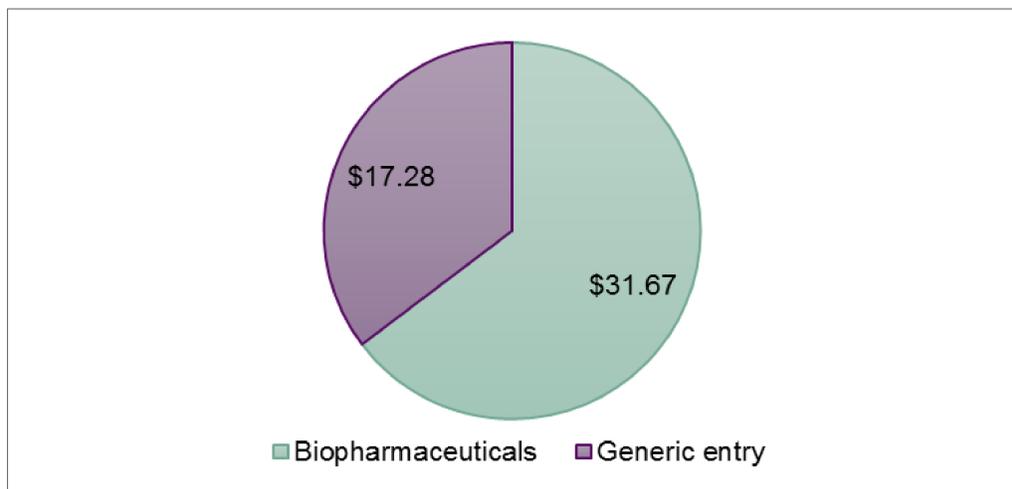


Figure 1: Estimated annual expenditure (\$M) of medicines with expected Australian market entry in the coming 12-24 months.

## Conclusion

Australia's pharmaceutical market is dynamic; agile procurement processes ensure state procurement organisations and hospital pharmacy departments are able to respond to changes in market dynamics and address issues of clinical acceptability in a timely manner.

November 2017  
Contact: w.lin@hvp.org.au



### Who is HPV?

Health Purchasing Victoria (HPV) works collaboratively with Victoria's health sector to help ease cost pressures for health services through strategic procurement to provide value for hospitals so they can deliver the best outcome for patients.

