



Department  
of Health

# The Future Operating Model for NHS procurement

Transforming the landscape of NHS procurement

June 2017

More info: [FOM@dh.gsi.gov.uk](mailto:FOM@dh.gsi.gov.uk)

*The Future Operating Model for NHS Supply Chain will flex the tremendous buying power of the NHS saving £615m annually – a major contribution to healthcare efficiency.*



## THE FUTURE OPERATING MODEL...

...is the transformation and re-procurement of the current NHS Supply Chain

...is a strategic response to enhancing procurement efficiency and effectiveness across the NHS, as laid out in the Carter report.

The FOM will...

- ✓ Benefit the NHS as a whole
- ✓ Benefit all Trusts, regardless of size
- ✓ Benefit the procurement profession
- ✓ Benefit patients

**The Procurement Transformation Programme (delivering the FOM) is one of the highest profile programmes in government.**



## THE BIG PICTURE – WHY WE ARE DOING THIS

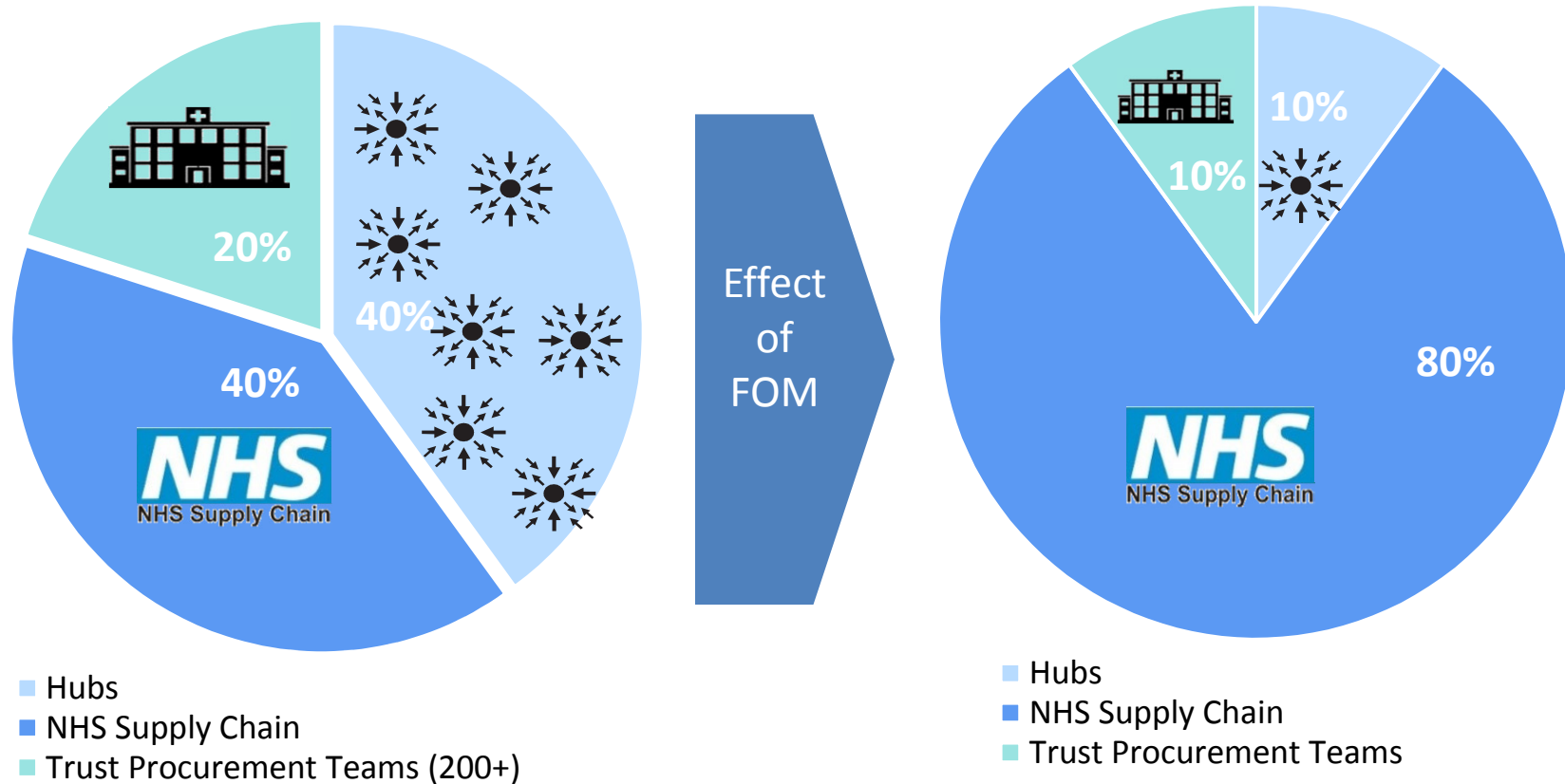
- NHS has the potential, through greater collaboration, to **leverage the NHS's purchasing power** on a national scale and deliver better value for money for NHS Trusts and the taxpayer.
- The **Carter Review** called for adoption of the Procurement Transformation Programme (PTP)
- The **Future Operating Model** is a key outcome of the PTP

### Headline news...



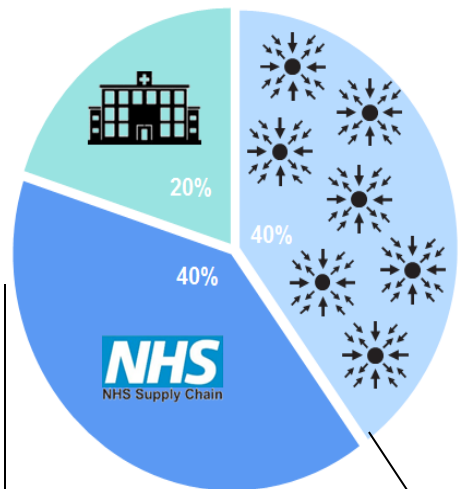
Picture from: Daily Mail Article, By Stephen Adams and Mark Wood For The Mail On Sunday, 18 Feb 2017

## THE FUTURE PROCUREMENT LANDSCAPE



Currently only 40% of the NHS's £5.7bn spend in everyday hospital consumables common goods, high value healthcare consumables and capital equipment goes through NHS Supply Chain. **The FOM will double this is 80%**

# THE FUTURE OPERATING MODEL STRUCTURE

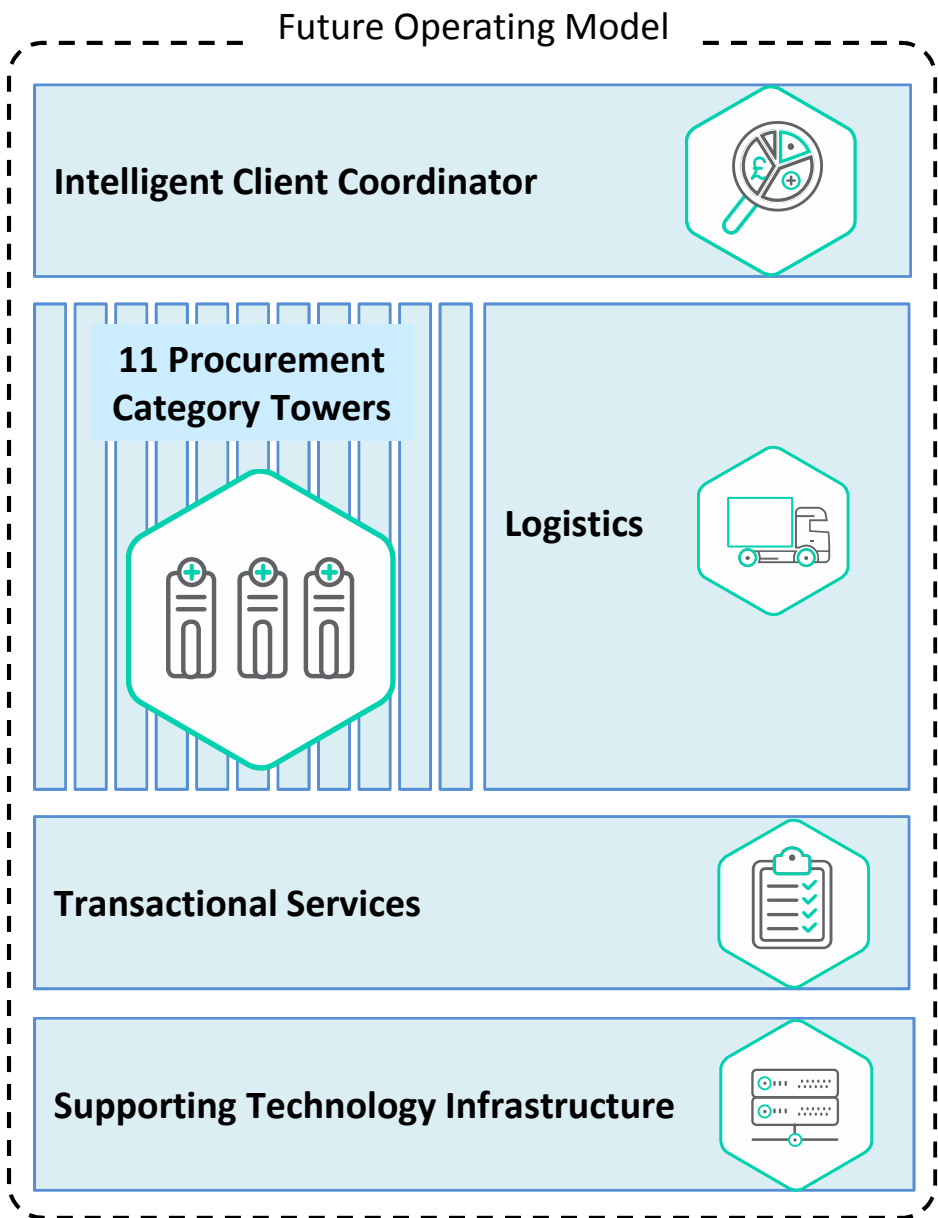
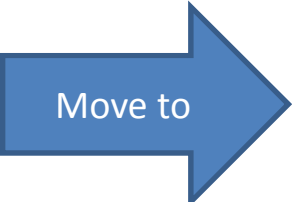


**NHS**  
NHS Supply Chain

**BSA**

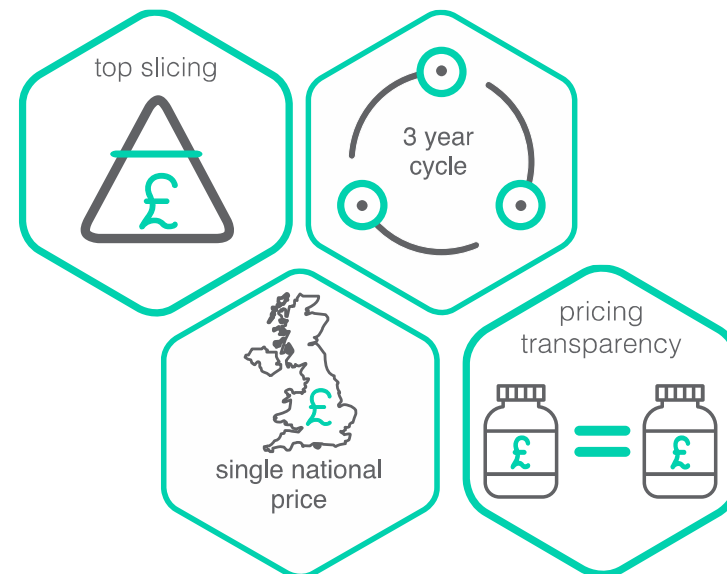
**DHL**

*Current contract expires at the end of September 2018 with the ability to remove some, or all, of the procurement services prior to that date.*



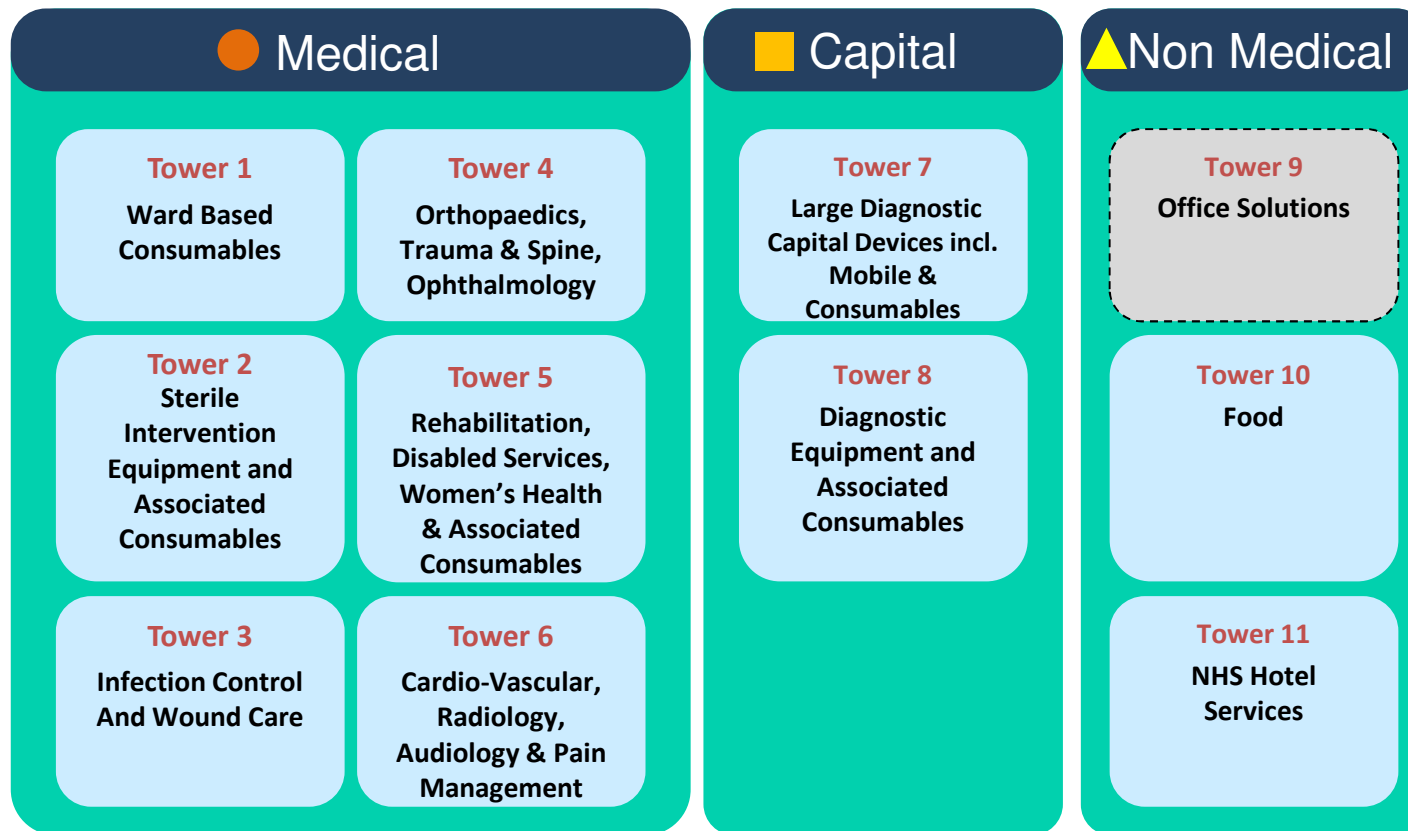
## THE PRINCIPLES OF THE FOM

- ✓ Single national price
- ✓ Top slicing - Central payment for supply chain services
- ✓ Buy price = Sell price
- ✓ Open book contracts
- ✓ Savings baselined on a 3-year cycle to encourage innovation and price reductions



## THE CATEGORY TOWERS

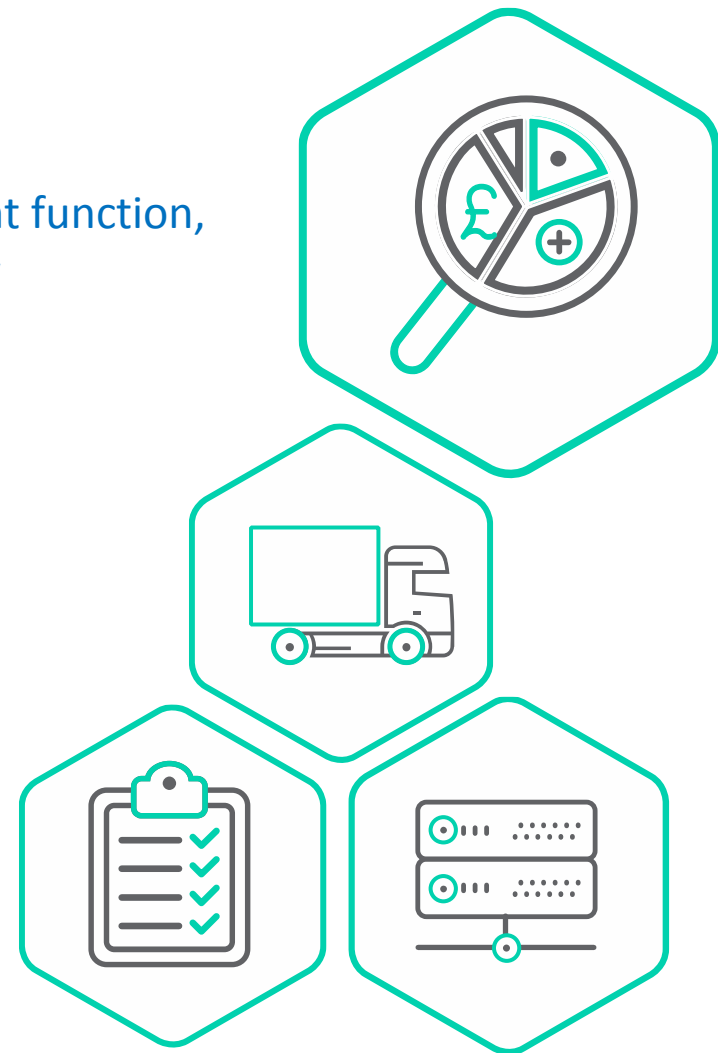
The Future Operating Model is organised into eleven **Category Towers**, covering medical, capital and non-medical areas of the procurement spend. Office Solutions (Category Tower 9) will be the first of these to go live.



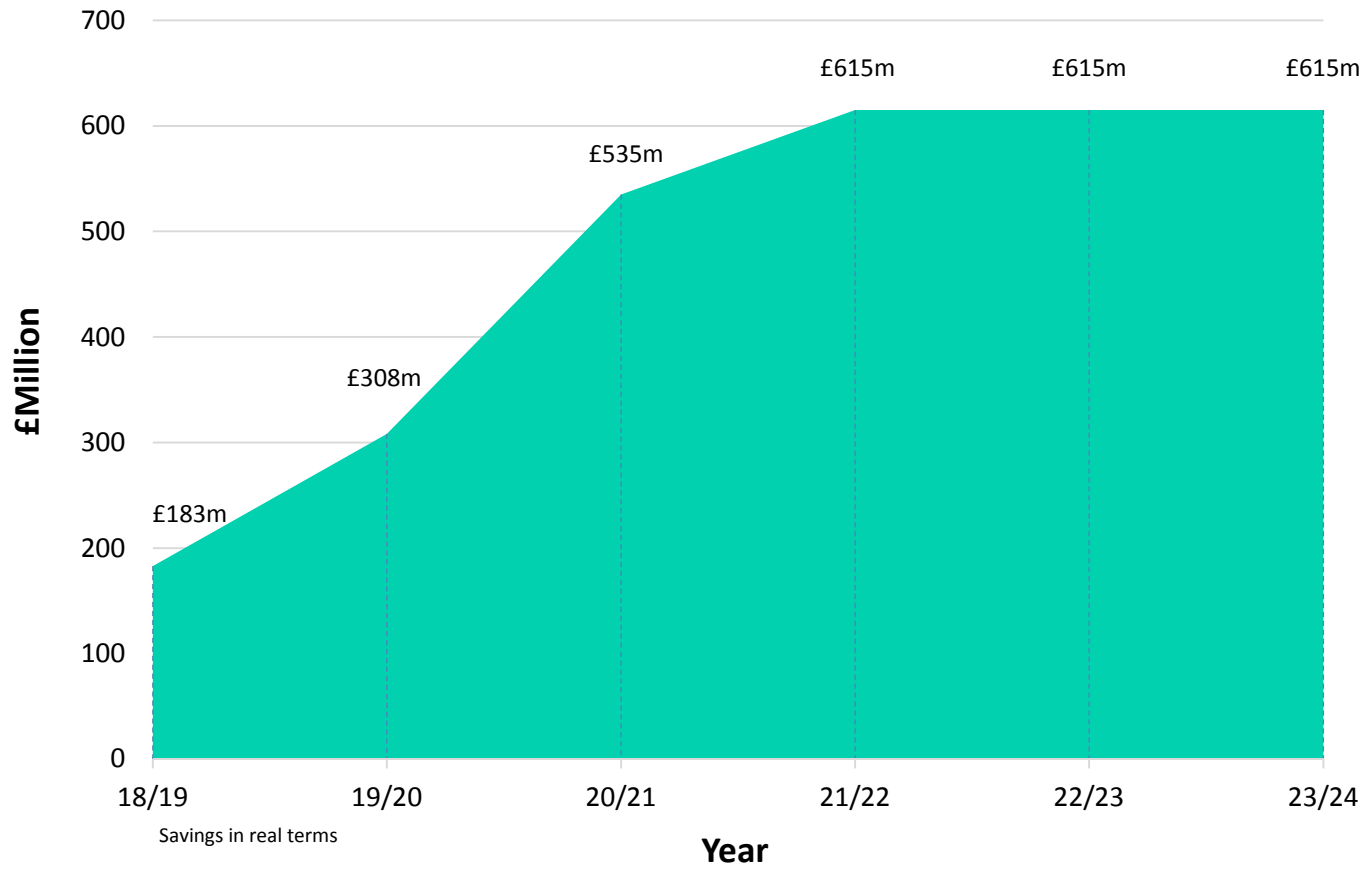


## THE INTELLIGENT CLIENT COORDINATOR

The Future Operating Model will be supported a new performance management and customer engagement function, the **Intelligent Client Coordinator (ICC)**, and by a new transactional services, logistics and IT infrastructure.



# THE SAVINGS THE FOM WILL ENABLE



### Estimated Market Share

- 18/19 – 40%
- 19/20 – 50%
- 20/21 – 80%

## THE FOM WILL DELIVER...



- ✓ **Right product**
- ✓ **Right time**
- ✓ **Right price**

The new Procurement Category Towers in the NHS Supply Chain will have product-focused teams acquiring the right products that better meet the needs of clinicians and patients.



- ✓ **Flexing buying power**
- ✓ **Releasing funds**

The Future Operating Model for NHS Supply Chain will make the most of the tremendous buying power of the NHS – aggregating national demand and releasing funds.

## THE FOM WILL DELIVER...



### ✓ Range management

The Future Operating Model for NHS Supply Chain will optimise choice based on clinical requirements and remove price variation.



### ✓ A move to specialist providers

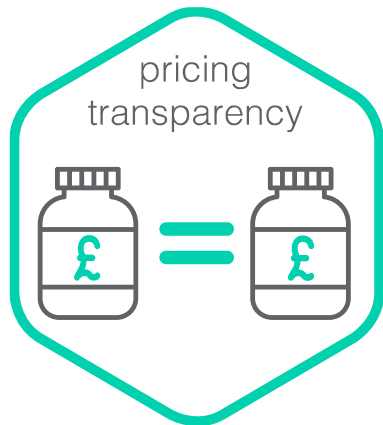
The new Procurement Category Towers in the NHS Supply Chain will include teams of specialist buyers informed by continuous evaluation from front-line clinicians who will create star ratings of catalogue items to ensure user and patient requirements are met.

## THE FOM WILL DELIVER...



### ✓ **Benefits to the profession**

The Future Operating Model for NHS Supply Chain will implement expert sourcing and procurement practices, supporting the NHS and individual Trusts' ongoing procurement programmes.



### ✓ **Transparency**

The new Procurement Category Towers in the NHS Supply Chain will deliver overall system savings to the NHS and will be transparent by making the price you pay for the product the same as the price it was bought for.

## IN SUMMARY

### Procurement Transformation Programme

- A strategic response to the **Carter report**
- Delivery of a **Future Operating Model (FOM)**

Achieve significant benefits for the NHS by:

✓ Increasing **uptake/volume** of products purchased **via NHS Supply Chain**

✓ Increasing use by the NHS of a **standard range of clinically appropriate products**

✓ Using **increased buying power** to affect purchasing behaviours and lower product costs for the NHS

