

# Public Procurement of Innovation in the UK Health System

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# Introduction



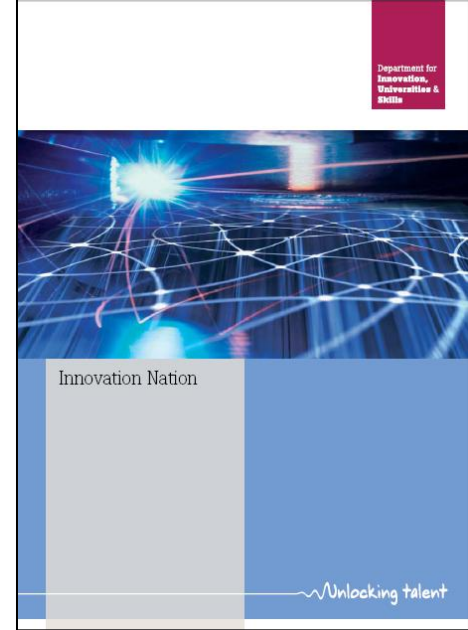
- UK Government commitment to procurement as a lever
- What is good practice?
- The opportunity in health
- OLS Blueprint
- Early forages with MedTech industry
- How? A case study

# UK Government's commitment....

## Where the UK Stands

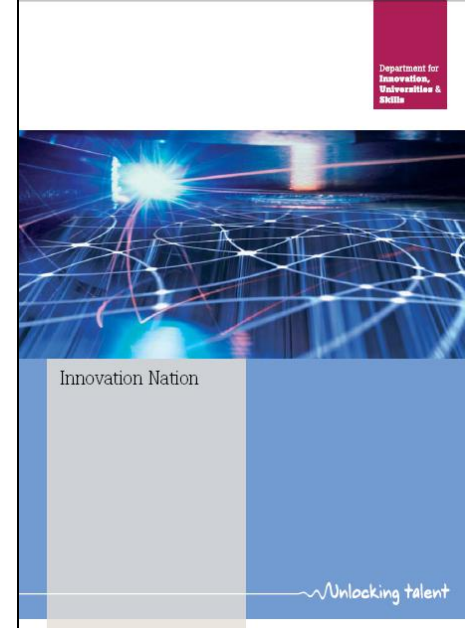
3.2 There are many good examples of innovative procurement. Departments such as the DoH/ NHS and MoD have adopted explicit and strategic approaches to procurement. However, this culture has not yet taken root more generally and procuring innovative solutions has tended to be a low priority. This has been compounded by a risk averse culture, difficulties in defining what constitutes innovation in procurement terms and insufficient capability in procurement skills, especially beyond Whitehall.

Innovation Nation, 2008



3.13 To build on this work, each Government Department will include an Innovation Procurement Plan during 2008 as part of its commercial strategy, setting out how it will embed innovation in its procurement practices and seek to use innovative procurement mechanisms, based on the DIUS/OGC guidance included in *Finding and Procuring Innovative Solutions*<sup>48</sup>. These plans will include details of how Departments and the agencies they sponsor will seek to increase their procurement of innovative products and services, fulfil their commitments under existing initiatives such as the Small Business Research Initiative and how they will make use of innovative procurement mechanisms from 2009-10.

Innovation Nation, 2008

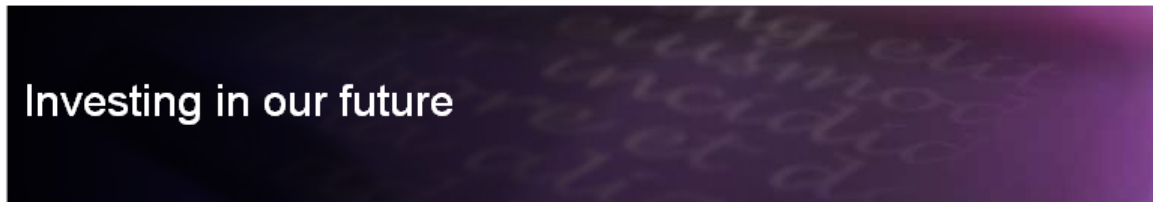




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## Innovation Procurement Plans

An important commitment in the White Paper, [Innovation Nation](#) (751 KB) (March 2008) was for each Government Department to include an Innovation Procurement Plan (IPP) as part of its commercial strategy, setting out how the Department will embed innovation in its procurement practices and seek to use innovative procurement mechanisms. Guidance and a practical toolkit have been produced to help Departments develop their Plans.

DIUS published its Innovation Procurement Plan in April 2009. Following the creation of the Department for Business, Innovation and Skills (BIS) an interim BIS Plan has been produced pending a full review of the new Department's needs and opportunities.

- [Procuring for innovation, innovation for procurement](#) (64 KB)
- [Innovation Procurement Plan Toolkit](#) (231 KB)
- [BIS interim Innovation Procurement Plan](#) (254 KB)

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### Related documents

- ▶ [IPP Guidance](#) (64 KB)
- ▶ [IPP Toolkit](#) (228 KB)
- ▶ [BIS interim Innovation Procurement Plan](#) (254 KB)

### External links

- ▶ [OGC Policy & Standards framework](#)
- ▶ [FCO's Innovation Procurement Plan](#)
- ▶ [MoD's Innovation Procurement Plan](#)
- ▶ [CLG's Innovation Procurement Plan](#)
- ▶ [DWP's Innovation Procurement Plan](#)
- ▶ [HMRC's Innovation Procurement Plan](#)
- ▶ [DCMS' Innovation Procurement Plan](#)
- ▶ [DCSF's Innovation Procurement Plan](#)
- ▶ [DECC's interim Innovation Procurement Plan](#)

# What is good practice?



## ***“Scanning for innovation”, article in CPO Agenda Spring 2008***



THE BUSINESS REVIEW FOR  
PROCUREMENT LEADERS

- Manufacturer of plastic products, global business, forced to innovate because of strong competition from China which commoditised their business
- 50 strong in-house researchers, but recognised the need to tap into the innovative ideas of their suppliers
- Not seen as innovative so re-branded itself and instigated an internal change programme across all functions, including procurement, to be better focused on innovation

### New role

**RAW MATERIALS PURCHASER**  
Brokerage/risk management

**INNOVATION SCOUT**  
Open-minded/creative

**MATERIAL CATEGORY MANAGER**  
Intercultural/strategic

**NEGOTIATOR**  
Strong negotiation skills

**OPERATIVE PURCHASER**  
Logistics and doing skills

**PROJECT PURCHASER**  
Project/technical skills

## What did they do?

- Created innovation scouts to identify sources
- Ensured buyers and engineers worked together
- Created Innovation roundtable meetings bringing together staff from different functions and business divisions to discuss the most promising new ideas
- Ran innovation supplier days
- Created 'innovation executive mentors', who support the scouts' work, promote their ideas within the organisation and make financial resources available when needed
- Run an internal competition to celebrate the most innovative ideas

## Was it a success?

- ✓ Now extended beyond procurement into technical functions and setting targets of 2x number of innovative ideas and 3x more usable solutions over next 3 years
- ✓ Growing catalogue of successes, e.g. heated bumper for Audi Q7, new generation of stiff polypropylene pipes that can be buried in the ground
- ✓ Categorised their suppliers and identified 50 "know-how" suppliers, 200+ "development" suppliers, who are the most likely sources of innovation and suitable for workshops
- ✓ New potential suppliers are encouraged to get in touch via Rehau's website

# What can we learn from this?



- The 'traditional' NHS procurement professional does not have the skills, focus or incentives?!?
- Scanning, encouraging and selecting innovation in health requires clinicians and someone with business focus (is this procurement?) to work together
  - Paradox between procurement efficiency (savings) and supply-side innovation (investment)
  - Lack of procurement bandwidth and innovation market development skills
- The procurement professional is still not seen as someone who can deliver value and innovation to 'businesses' so are we focusing on the right people?
- If we can identify the people, can we develop standard processes?

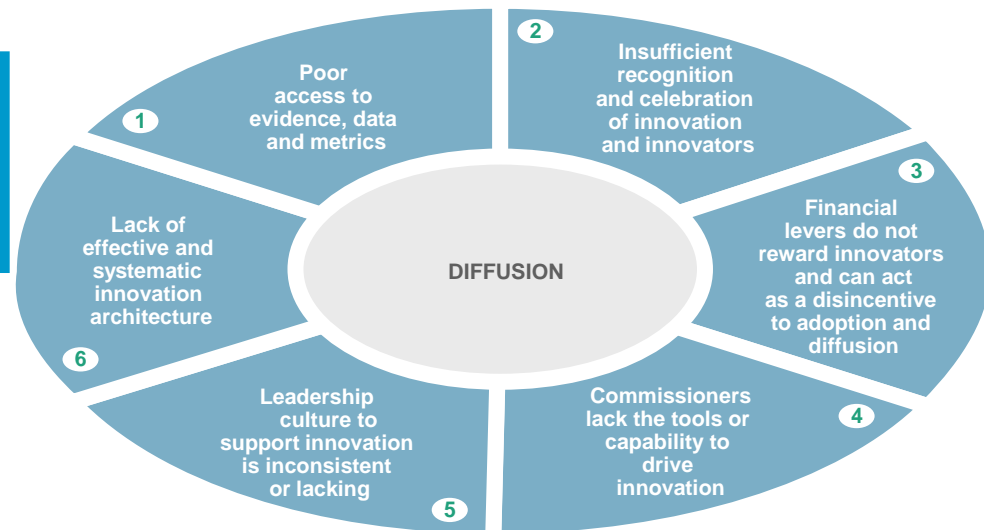
# The opportunity in the NHS



- We must not consider IPPs in isolation
- We must ensure they act as the ‘glue’ between our new **Commercial Operating Model** (*Necessity Not Nicety*) and the Darzi initiatives we are putting in place to embed an **innovative culture** in the NHS

# Darzi Next Stage Review: Innovation and the NHS

The NSR showed that whilst the NHS was good at invention, it was weaker at adoption, and very poor at diffusion – especially in the area of healthcare delivery processes. We identified 6 key reasons.....



## In turn Ministers agreed 6 key proposals;

- New legal duty to promote innovation to be placed on SHAs, and hard wiring of innovation into leadership curricula so that we systematically produce leaders who understood and value innovation
- New innovation fund, aimed squarely at diffusion
- Series of innovation prizes, to reward those who have excelled
- A limited number of Academic Health Science Centres bringing together the very best R&D and bio-med units, with the very best academic institutes and the very health care delivery organisations to get invention through to diffusion under the same organisational banner
- New NHS Evidence service, a simple, easy to use search engine providing quick desk top access to a comprehensive range of clinical and clinical best practice and evidence, providing the NHS for the first time with a clear sense of what good looks like
- A series of specific measures on pharmaceuticals and medical devices.....

# *Necessity not Nicety: A revitalised regional approach...*



- Intention to create new regional commercial support units to provide a complete commercial service across each economy, building on what has already been achieved
- Regional units will provide efficient groupings of scarce commercial skills, and will support commissioners to improve their acquisition competency in World Class Commissioning.
- Regional units will drive uptake of services from national organisations and be an “intelligent client” in areas such as demand management, and act as a local **focus for suppliers to engage with the NHS and ensure an improved flow of innovations into the system**

**So we have an opportunity to marry our regional innovation initiatives with the new regional commercial support units and develop localised innovation procurement plans**

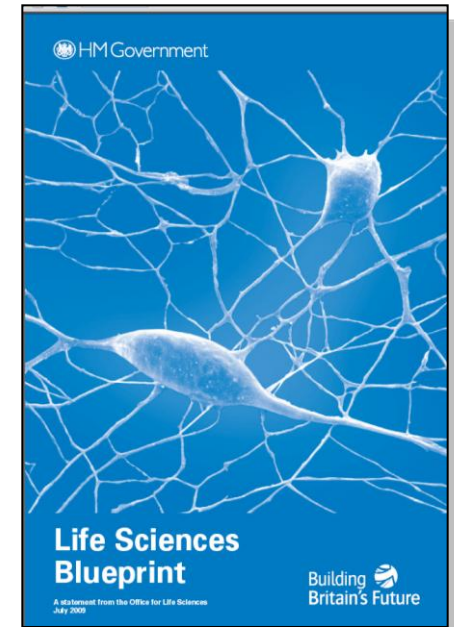
# And what of MedTech?

## Pillar 1: The NHS as an innovation champion

**2.8 Issue** – The adoption and uptake of new medicines and technologies in the NHS is variable and in some cases, far behind that of other European countries.

**OLS solution** – A package of measures to address the uptake issue:

- (a) By November 2009, the Government will establish a Strategic Health Authority (SHA) Delivery Group which will be chaired by an SHA Chief Executive. The Delivery Group will work to:
  - (i) Increase the uptake of cost effective drugs;
  - (ii) Improve the strategic relationship between the NHS and industry so that both can work together better in a more business-to-business manner;
  - (iii) Improve the competitiveness of the UK as a site for clinical research; and
  - (iv) Put in place equivalent NHS-led arrangements to support the early and systematic uptake of innovations in technologies which provide value to the NHS.
- (b) The Government will continue work on existing and proposed metrics to provide an authoritative comparison of the uptake of cost-effective medicines, both within the NHS and on an international basis. It will also develop, by autumn 2010, a pilot set of metrics against which NHS organisations can assess themselves in relation to the uptake of cost-effective innovative technologies.
- (c) The Government will ensure that at least two of the new Commercial Support Units (CSUs) to be set up, under the new NHS Commercial Operating Model, will develop and test regional approaches to support innovations from the medical technology sector, through engagement with NHS at an early stage of product development.
- (d) The Government will work with the NHS to build innovation into the education commissioning system and, by autumn 2009, will provide guidance on what SHA commissioners can do to achieve this.



## Foreword



As set out in *“Building Britain’s Future”*, we will build tomorrow’s economy by investing today in those high-tech industries of the future where the UK has competitive advantage and the potential to be a global leader. The strategy set out in *New Industry, New Jobs* will be key part of this, by supporting business, innovation and entrepreneurship. The life sciences industry, comprising pharmaceuticals, medical biotechnology and medical technology, is one industry where we are world-class, and have the potential to go further. A strong life sciences industry can drive growth and high-value job creation as well as playing a vital

Lord Mandelson  
First Secretary of State,  
Secretary of State for Business, Innovation & Skills

Andy Burnham  
Secretary of State for Health

# Engagement with MedTech industry



- Roundtable event September 2009
- Alignment of priorities (e.g. QIPP, OLS, MMTSG)
- Group identified key outcomes that improved working should deliver:
  - Better value delivered at lower cost. In practice this means:
    - Better patient outcomes;
    - Lower whole-system costs for care pathways;
  - To deliver this, the relationship should:
    - Make best use of analysis and investments already made, particularly to diffuse technologies that are known to deliver better outcomes at lower cost;
    - Give Industry better access to the NHS in order to: provide greater clarity about the NHS's desired outcomes; reduce industry's cost to serve; and increase suppliers' confidence in new product investment.

# Challenging times ahead....



NHS chief executive David Nicholson told the NHS Confederation's 2009 annual conference on 10 June that now is the time to prepare for the expected reduction in NHS funding from 2011.

He said: "The NHS and Department of Health have been built for growth but that's not what we need to do now," he continued. "We need to look at each system and process to see if it is capable of taking us through this big challenge. We've got time to plan, organise and invest in people and services now. The worst thing would be to hide in our bunkers and stop driving reform. Now is the time to be innovative and adopt and diffuse the well-evidenced things we



should all be doing."

The NHS is entering a period of unprecedented challenges and the way we have delivered in the past will not necessarily deliver in the future. The NHS will have to make efficiency savings of £15bn-£20bn from 2011-14 at a time when we are pressing ahead with reform to deliver higher quality care for patients.

The current economic climate will lead to the NHS looking for ways to ensure the health budget not only goes further through improved efficiency but also improved quality, and the only way in which efficiency **and** quality can be achieved is through innovation

## Quality Innovation Productivity Prevention (QIPP)

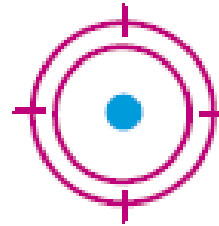
A large, solid green wave-like shape curves across the middle of the slide, starting from the left edge and extending towards the right, creating a sense of movement and flow.

# Innovation procurement in action...

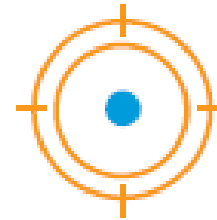
## The HCAI Technology Innovation Programme

NHS Purchasing and Supply Agency is working with the NHS, Department of Health and suppliers to speed up the development and adoption of technologies to help combat HCAs, especially MRSA and *C. difficile*. We know early involvement of NHS front line staff and industry in developing answers and solutions is vital and that we need to provide quick, effective processes to know what works best and publicise this as widely as possible.

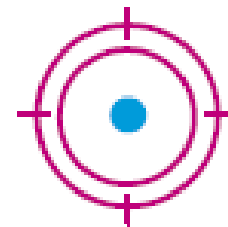
We have set up the HCAI Technology Innovation Programme to:



develop technologies that the NHS wants



get new technologies into trusts as quickly as possible



spread the word about what works well and what doesn't.

 **Technology**  
**helping fight**  
**infection!**



# KEY MESSAGES FOR INNOVATION

- **Innovation “Push”** – First things first - listen. Start with the customer’s (the NHS front line) need and take them with you on the journey - don’t get sidetracked. Keep them well posted as things develop.
- **Industry involvement** – establish networks through which to communicate effectively (eradicate myths and gossip) Actively put firms together where there is a fit and drive cooperation. Listen and where possible respond - quickly. Manage expectation through widely published transparent aims and objectives.
- **Advice for innovators** – Dragons Den. Invest tons of time with all comers but be brutal and set out exactly what you want and what you do not want. Be consistent and start with the end in mind.
- **Making it easier** – A-Z route map, less red tape and share knowledge. Bring together disparate public sector players – “one port of call”. Ensure that your team understand and share the vision (no hangers-on) and get them out developing relations with the NHS and industry.
- **“Active” adoption** – Making adoption easier counts as much as technology development - take out the hard work for the NHS by helping them make the case locally and avoid risk.
- **Demand “Pull”** – use networks of people on the journey to drive demand and keep refreshing the programme so it becomes a series of journeys and not one long slog.

# Outcomes.....



**Better care for patients**