

New DH and NHS Commercial Operating Model published

The Department of Health today published the new Commercial Operating Model entitled '*Necessity - not nicety: A new Commercial Operating Model for DH and NHS*'. The document and press release are attached.

ABHI has welcomed the recognition that a more efficient and effective system is required. We will, of course, continue to work with the relevant organisations and the new Division when it is established. A more indepth analysis and reaction will be published in Monday's edition of Primed. Additionally, ABHI will assist members to understand the strategy and as the Model develops we will facilitate opportunities for engagement.

The document notes the range of organisations that fed into the strategy, including SHAs, Office of Government Commerce (OGC), Treasury, commissioners and the independent sector. It states that the NHS must seize the opportunity provided by reforms over recent years to realise greater value and quality for patients, the public and taxpayers.

It goes on to say that commercial and procurement skills are already at a "premium" at all levels of the NHS and this situation will continue to increase. The Model seeks to provide the opportunity to develop current mechanisms to achieve further efficiencies on providers' own third-party spend of £20 billion a year and closer alignment with service demand. It states that procurement has been "sub-optimal" with too many diffuse procurement agencies working in an overlapping and unsustainable fashion.

The key elements of the new model:

- 1 NHS PASA will be closed.** Its functions will be transferred, during 2009, to other organisations to "add greater scope, scale and impact to procurement" for "greater purchasing muscle". Key NHS PASA sourcing activities will be integration with OGC buying solutions, including the formation of an NHS-facing buying arm. Other functions will move to CSUs and DH.
- 2 The Procurement, Investment and Commercial Division (PICD)** will be created at the Department of Health. It will replace the Commercial Directorate and Private Finance Unit and bring together other relevant DH functions. The **Strategic Market Development Unit (SMDU)** will be established to provide leadership and support commissioners in market analysis and market-making. A **Cooperation and Competition Panel** will also be established.

PICD will have oversight of the entire NHS commercial landscape, to be "exercised with and through" a new **National Procurement Council**, oversight of delivery of Comprehensive Spending Review 2007 savings and professional training and development and procurement policy (transferred from NHS PASA). Industry is expected to be represented on the Council.

- 3 Regional Commercial Support Units (CSUs)** to be established to offer services to, and be owned by, local NHS. £20 million will be made available in 2009-10 to facilitate their introduction. Local procurement hubs will be expected to realign with regional CSUs. They will provide commercial support to commissioners and work with NHS Supply Chain. The aim is "complementing but not competing with NHS Supply Chain". The establishment of CSUs recognise that the NHS is complicated and confusing. They are expected to be functional within a year.

4 **NHS Supply Chain** – “Making the 10 year NHS Supply Chain contract work harder and smarter to deliver greater efficiencies for providers”. Local procurement hubs will be expected to realign with regional CSUs to ensure that NHS Supply Chain can maximise its potential.

5 **Contribute to innovation, research, regional develop and local regeneration.** £20 million has been allocated to attract entrepreneurial skills to regional CSUs, however this will be for 3 years and all SHAs. This aims to stimulate local economies through active commissioning, service provision and support and “uptake of innovative new technologies developed by industry, both locally and those channelled via national initiatives such as the National Institute for Health Research (NIHR)”.

6 Ensure that the **World Class Commissioning programme** encourages PCTs to develop CSUs with provider partners.

7 Ensure that **third and private sectors** have a clear and visible point of contact in each region via CSUs.

The document notes benefits for various sectors. For commissioners it states that there will be “healthcare improvement for patients and value for money”. It goes on to state that commercial practice will be driven increasingly by the NHS, instead of top-down, with a strong regional presence to help drive regional innovation responsiveness.

For providers the Model aims to provide an opportunity “to seize savings benefits from pooling the NHS’s huge purchasing power through the NHS Supply Chain contract”.

Implementation

The document states that work is already underway with the repositioning of NHS Supply Chain, it is lead by DH but will involve providers and key interested parties. At the DH work is underway to define the detail of their changes and put new systems in place. A **NHS Commercial Development Directional Board** will provide governance and bring together NHS, DH to ensure commercial integration and hold the SHAs to account for their responsibilities.