Health service procurement policy / Healthcare Materials Management Board

Health Service

Procurement Policy

Health Service Procurement Policy - Contents

1. HMMB Introduction

The Healthcare Materials Management Board (HMMB) was established following the report to the Materials Management Advisory Group on procurement and materials management in the health sector.

Introduction to Procurement Policy

The Board is a national body that is made up of representatives of the Health Boards, Voluntary Hospitals, direct funded Homes and the Department of Health & Children. It is responsible for implementing policy, and setting performance targets in the whole area of healthcare procurement and materials management. Its primary objectives are to ensure that:

- Materials Management is developed in line with best practice
- Procurement practices comply fully with statutory regulations
- Savings and performance targets are met

The HMMB has appointed a General Manager and Executive responsible for ensuring that these objectives are met, materials management developed in a coherent fashion throughout the health service and economies of scale are capitalised. Each Health Board and the Voluntary Hospitals have appointed a Regional Materials Manager who is responsible for development at regional level. These Regional Materials Managers have a collective responsibility to work with the Executive and the Healthcare Materials Management Board to encourage synergies between regional and national developments and to ensure that the targets set are achieved.

The Materials Management Advisory Group Report (circulated in 1996) recommended the development of common procurement and materials management policies to set the framework within which the materials management function operates.

This policy document, which has been accepted by the Health Boards, Voluntary Hospitals and direct funded homes, is the first joint action of this initiative. It has been prepared with input from Materials Managers, Chief Executives, Finance Officers as well as the HMMB Executive. Based on

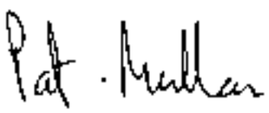
hmmb

introduction

best practice, it is designed to ensure a common approach for all health agencies in the procurement of products, equipment and services. It is customer focused and clearly defines the roles and responsibilities of all practitioners involved in the procurement process.

The policies set out in this document will ensure that the health services comply with the very best industry practices. Implementation of these policies will ensure that agencies comply with EU Directives and Government Guidelines, get best value for money by utilising the health sector's significant purchasing power and ensure that all transactions are transparent and offer equal opportunity to all qualified suppliers.

I look forward to their implementation and the benefits that their use will deliver and would encourage all involved in the materials management process to adhere to the spirit as well as the letter of these policies.



Pat Mullan
Chairman, Healthcare Materials
Management Board

2. Core Values

core values

All purchasing of supplies, works and services is governed by the following core values:

- Achieving efficiency, effectiveness and best value for money in terms of overall life cycle costs.
- Customer focus.
- Dealing with quality suppliers, contractors and service providers.
- Operating in a fair, open, transparent and non-discriminatory manner in the marketplace.
- Properly managing risk.
- Complying with all relevant European and national legislation and government regulations.
- Operating the highest ethical standard.

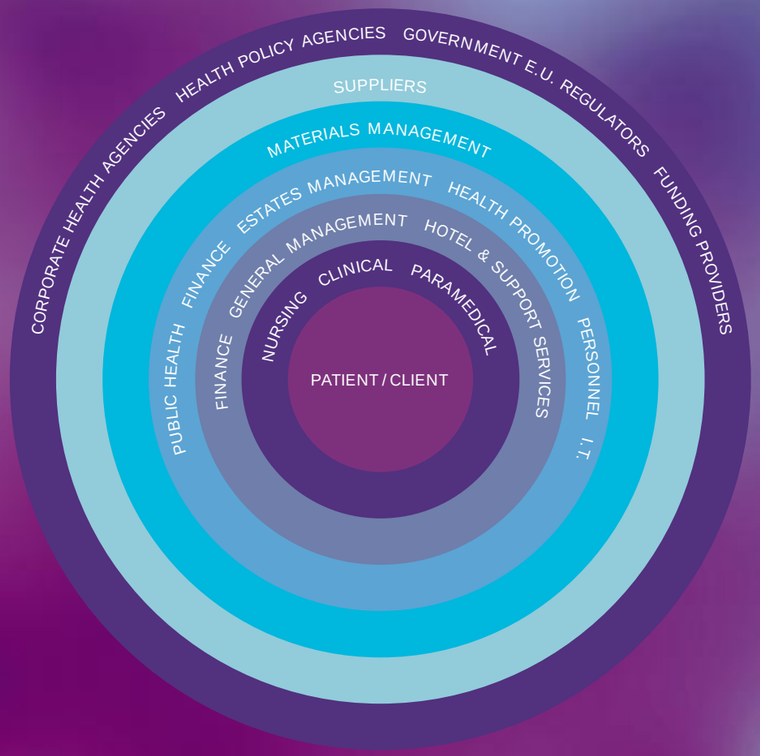
3. Corporate Statement

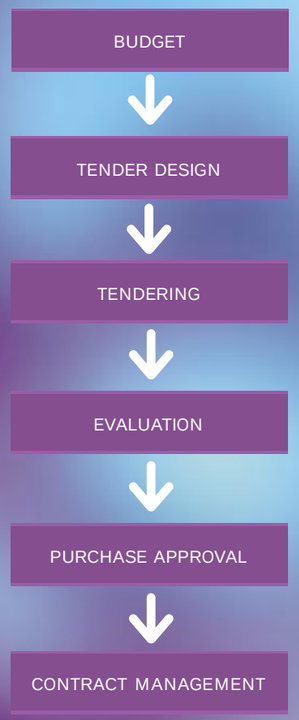
corporate statement

- Health care expenditure on products, equipment and services is worth in excess of £600m per annum.
- This expenditure extends across a diverse range of products that include highly complex medical equipment, pharmaceuticals, hotel services, banking and I.T. services.
- These products, equipment and services are key tools of the very many professionals that provide services to patients and customers in the health arena.
- The acquisition and use of products, equipment and services are key elements for Health Agencies in maximising health and social gain.
- It is essential that appropriate procurement policies and procedures be in place for all the key stake-holders in this process.
- It is the responsibility of each stake-holder to fully participate in the process.

procurement environment

4. The Procurement Environment





procurement process

5. The Procurement Process

The basic key stages in the procurement process which must be addressed are shown above.

purchasing

6. Purchasing Policies

The primary objectives of a Health Agency's procurement policy are to ensure that all transactions:

- Meet the requirements of customers
- Give the Health Agency best value for money
- Utilise the Health Agency's significant purchasing power
- Are totally transparent
- Ensure equality of access to qualified suppliers
- Are formally contracted
- Fully comply with government guidelines and EU directives applicable to state bodies

Competitive tendering or other forms of open competition shall be the normal practice except in exceptional circumstances as set out in this corporate policy statement.

7. Purchasing Procedures

purchasing procedures

The procedures, set out below, will form the basis for putting formal purchasing and contractual agreements in place for Supplies, Services and Works.

When a procurement requirement is identified within an Agency it is incumbent, before proceeding to purchase, to establish whether an existing contract is already in place and, if so, to utilise that contract.

Where no formal purchasing agreements are in place one of the procedures outlined below must be used.

7.1 CONTRACT VALUE

When determining which procedure to use, the maximum possible monetary value of a contract must be taken into account. Under no circumstances may a contract be artificially split in order to change the procedure that these procedures require to be used.

7.2 LOW VALUE PURCHASES

This procedure must be used for purchases with an estimated value less than £1000.

- A single commercial quotation may be used
- Periodic market testing to apply
- Agency accountability and control procedures to apply

7.3 INTERMEDIATE VALUE PURCHASES

This procedure must be used for purchases with an estimated value greater than £1,000 and less than £20,000.

- Expenditure approval of budget holder required
- Minimum of three competitive quotations based on specifications returned to a prescribed date
- Formal purchase approval required
- Relevant backing documentation filed in accordance with Agency policy.

7.4 HIGH VALUE PURCHASES

This procedure must be used for purchases with an estimated value greater than £20,000.

- Formal tendering must be used
- Expenditure approval of budget holder required
- Specification is required
- Minimum of two weeks response time for suppliers
- Sealed bids to a prescribed date
- Minimum of three competitive bids required
- Formal purchase approval supported by clinical / technical and commercial recommendations
- Relevant backing document held in accordance with Agency policy

7.5 EU DIRECTIVE PROCUREMENT (thresholds apply)

This procedure must be used for purchases with estimated values exceeding EU thresholds (Works contracts > £IR 4 million (5m Euro), services / supplies contracts > £IR 160,000 approx. (200,000 Euro))

- Periodic Indicative Notice
- Expenditure approval required
- Formal tendering procedures
- Call for competition (outlining OJEC award criteria)
- OJEC contract award notice
- Relevant backing documentation held in accordance with Agency policy

7.6 EXCEPTIONAL CIRCUMSTANCES

In exceptional circumstances, the requirement to secure a minimum of three bids need not apply. The circumstances under which these derogations from normal procedure may be availed of, and which must be certified as such by the CEO / Nominee, include such issues as:

- Urgency
- Proprietary materials
- Additional deliveries
- Bargain purchases
- Confidential contracts
- Statutory type purchases

Use of exceptional circumstances does not permit a departure from E.U. Procurement Directives

For further details see Appendix 5

7.7 NEGOTIATION

7.7.1 General policy

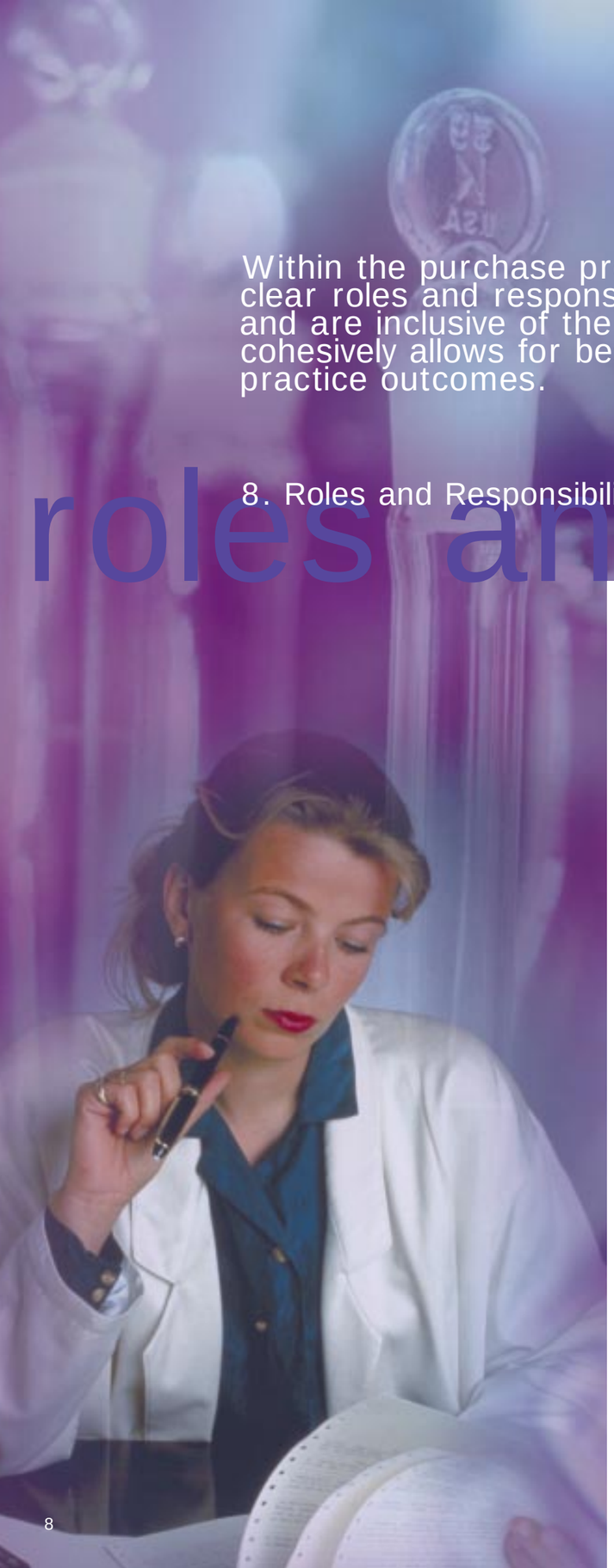
Competitive tendering is the normal procedure used to purchase supplies, works and services. In some circumstances however negotiation can be used.

In all cases, the decision whether or not to conduct negotiation lies with the CEO / Nominee.

Circumstances for negotiation may include:

- Where competition does not exist (i.e proprietary purchases)
- Some leverage or the potential for rationalisation exists (e.g a number of contracts may be aggregated, etc.)

If negotiations are to be entered into, the Agency's procedure must be adhered to (see Appendix 4).



Within the purchase process there must be clear roles and responsibilities which recognise and are inclusive of the key participants and cohesively allows for best procurement practice outcomes.

8. Roles and Responsibilities

roles and responsibilities

The following roles, which best practice dictates should be separate, are fully complementary and interdependent. In certain instances the Clinical / Technical Evaluator role and the customer service role may be synonymous.

8.1 Roles and Responsibilities of Budget Holder

- Establish appropriate procedures to ensure accountability and covering expenditure approvals within the cost centre.
- Review annual procurement plan.
- Ensure that adequate internal operational controls exist in relation to procurement.
- Review all proposed purchases that exceed original expenditure approval.

8.2 Roles and Responsibilities of the Customer(s)

- Ensure the purchase is covered by the appropriate expenditure approval.
- Ensure there is adequate time allowed for the procurement process.
- Plan and define requirements.
- Participate as required in the procurement process.
- Participate in Cross-Functional Teams as required.
- Provide appropriate feedback on the performance of the contract.

8.3 Roles and Responsibilities of the Clinical / Technical Evaluator

- Review annual Procurement Plan.
- Participate in Cross-Functional Teams as required.
- Draw up specifications in line with European Directives and other standards which clearly define the Health Agency's requirements.
- Participate in the identification of potential suppliers.
- Undertake clinical / technical evaluation to specification.
- Prepare clinical / technical recommendation.
- Partake in negotiations as required.
- Monitor and report on contract performance.

8.4 Roles and Responsibilities of the Commercial Evaluator

- Be satisfied that there is expenditure approval prior to going to tender.
- Co-ordinates procurement process
- Provide commercial tender analysis.
- Leads the qualification / assessment of suppliers.
- Leads negotiations
- Procures supplies, services and works in line with current purchasing policies and procedures.
- Ensures that approved purchasing systems and procedures are being implemented.

The Commercial Evaluator has a duty to report to the Materials Manager on any purchasing matter that gives cause for concern.

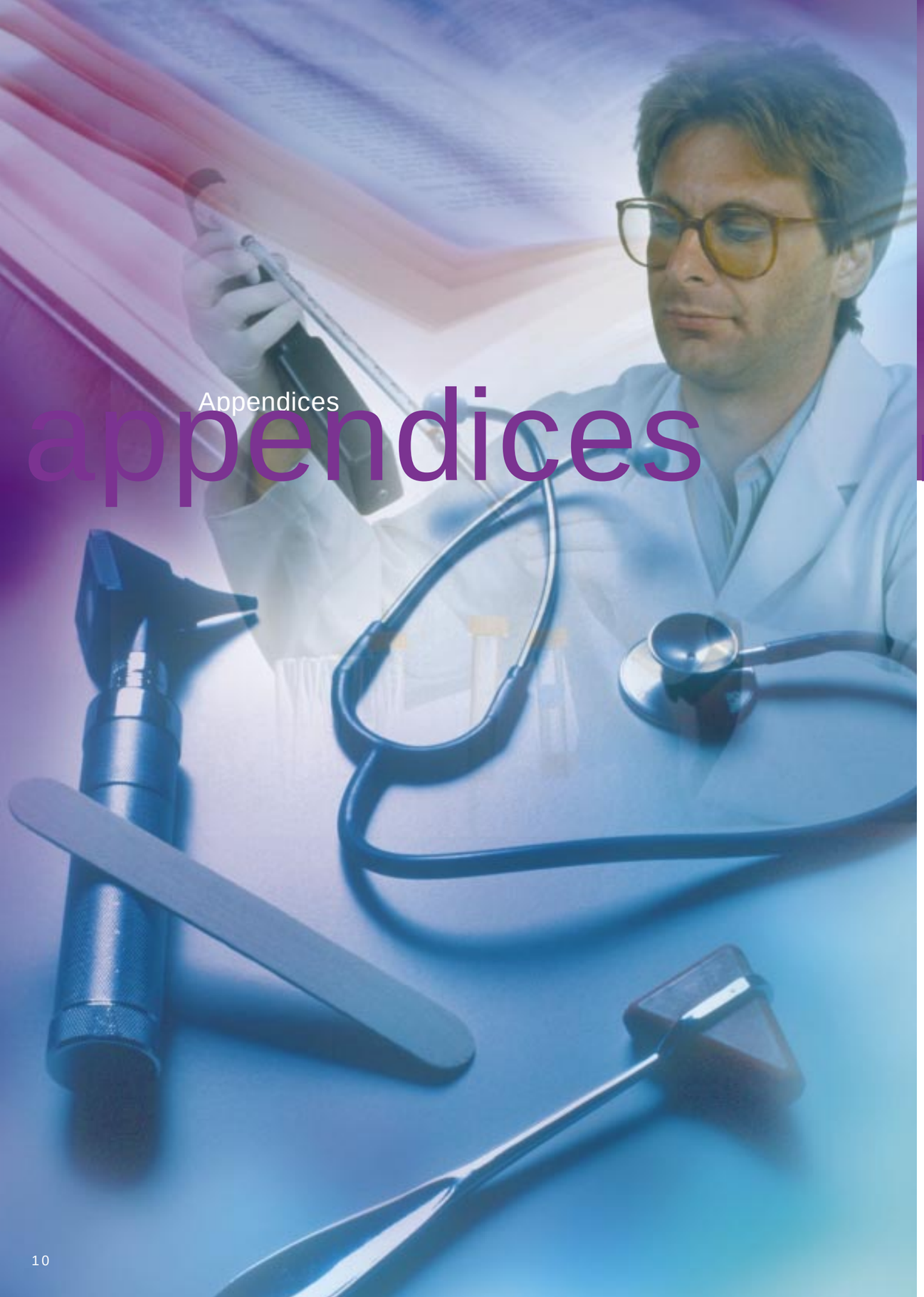
8.5 Roles and Responsibilities of the Purchase Approver

In the context of the objectives for effective procurement the Purchase Approver must:

- Ensure the Health Agency has obtained best value for money. The purchasing strategy has taken into account both initial costs and full life cycle costs for the product or service.
- Ensure that all purchases have taken into account the requirements of other corporate policies.
- Ensure that the procurement process has been carried out in accordance with the health agency's procurement policy and procedures.
- Authenticate that value for money has been secured.
- Sign-off purchase approval.

8.6 Interpretation of Agency Policy and Procedures

The Regional Materials Manager is the principal initiator / interpreter of purchasing policy and procedures in the Health Agency.



Appendices

appendices

Risk Management

risk management

1

1.1 General Policy

One of the primary objectives of any contract entered into should be the minimisation of risk. To ensure this, the following practices should be applied.

1.2 Quality and Reliability

Supplies and services which are critical for safety should be sourced only from suppliers who have appropriate quality systems in place.

Safety or operationally critical material should be subjected to testing prior to any award of contract.

1.3 Conditions of Contract

All suppliers should be made aware of and agree to comply with standard terms and conditions of contract.

1.4 Insurance

Contractors and suppliers must, at a minimum, have adequate Public and Employer's Liability Insurance. An order may not be placed with a contractor until the relevant insurance documents including a performance bond as necessary have been approved.

1.5 Government Regulations

Contractors and suppliers must comply with all relevant governmental regulations including Tax Clearance Requirements, Construction Payments Procedures, Health and Safety and Employment legislation and regulations.

1.6 Long Term Contracts

Where a contract is of long term duration, insurances and relevant certificates must be kept current. In particular no payment may be made on foot of a contract unless the payee's Tax Clearance Certificate (or C2 Certificate, as appropriate) is current.

1.7 Vendor Qualification

In order to ensure maximum benefits and efficiencies from tendering procedures, it is intended to introduce a system of vendor qualification on a phased basis.

1.8 Tender Qualification Systems

Some contracts may require a formal qualification system in order to select a tender list.

In all cases, qualification criteria must be agreed in advance of the publication of an OJEC notice or the invitation to suppliers and contractors to apply for qualification. Criteria must be objective and must not distort competition or unfairly discriminate against any supplier or contractor.

Code of Ethics

code of ethics

2.1 General Policy

It is the policy of all Health Agencies to maintain their high reputation for ethical behaviour and fair dealing in the conduct of its business.

In many cases decisions as to what is ethical or fair are clear cut and will be obvious to any reasonable person. In some situations, however, there may be circumstances where an element of doubt or ambiguity arises. To help in these circumstances and to protect and guide individual employees of the Agencies, it is necessary to have a written code of ethics.

It is not possible to provide for every situation in the code of ethics. If there is doubt about the probity of any particular situation, the materials manager or chief executive must be consulted about that situation by the individual concerned.

2.2 Purpose of Code of Ethics

The purpose of the Code of Ethics is to offer guidance to Agencies employees in their business conduct.

The Code of Ethics applies to all the employees of the Agencies, and to those contracted by the Agencies, who are engaged in purchasing and payments, including those involved in advisory and decision making capacities.

It will ensure that such employees shall never use their authority of office for personal gain and shall seek to uphold and enhance the reputation of the Agency by:

- Maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the organisation in which they are employed.
- Fostering the highest possible standards of professional competence amongst those for whom they are responsible.
- Optimising the use of resources for which they are responsible in order to provide maximum benefit to their employing organisation.
- Complying both with the letter and spirit of the law of the country and such guidance on professional practice as may be issued by the relevant bodies from time to time.

2.3 Principles of the Code of Ethics

The guiding principles of the Code of Ethics can be summarised under five headings:

1. Declaration of Interest
2. Confidentiality and accuracy of information
3. Legality
4. Competition
5. Gifts and Hospitality

2.3.1 Declaration of Interest

Any personal interest that may impinge or might reasonably be deemed by others to impinge on a member of staff's impartiality in any matter relevant to his or her duties should be declared.

Where a conflict of interest situation could arise for an employee, he / she must desist from dealing with the contract giving rise to that situation, and may not attempt in any way to influence the Agency's decision on the matter.

2.3.2 Confidentiality and accuracy of information

The confidentiality of information received in the course of duty should be respected and should never be used for personal gain. Information given in the course of duty should be true and fair and never be used for personal gain or designed to mislead.

2.3.3 Legality

In order to ensure that the Agency complies in its business dealings with the laws of Ireland, employees are required to:

- Fulfil all regulatory and supervisory obligations imposed on the Agency
- Co-operate with relevant regulatory and supervisory bodies
- Avoid false, inaccurate or misleading entries in records
- Ensure that all relevant legislation is upheld
- Encourage effective and fair competition at all times
- Comply with all purchasing and tendering procedures and with prescribed levels of authority for sanctioning any relevant expenditure
- Avoid engaging in any illegal or criminal activities.

2.3.4 Competition

While bearing in mind the advantages to the employing organisation of staff maintaining a continuing relationship with a supplier, any arrangement which might in the long term prevent the effective operation of fair competition, should be avoided.

2.3.5 Gifts and Hospitality

It is customary for many suppliers to offer gifts, hospitality or entertainment to named employees with whom they have contact as a result of business dealings.

2.3.5.1 Gifts

Employees may accept gifts from suppliers to or contractors who have worked for the Agency, provided:

- The gift is unsolicited
- The gift is one of very small intrinsic value (e.g. diary, calender, bottle of wine / spirits etc.)
- The gift is disclosed to that employee's immediate superior

In all other cases, the gift should be returned to the sender, with a note advising that acceptance would be contrary to Agency policy. Details of returned gifts must be notified at once to the recipient's superior.

Sponsorship requested has to be in the interest of patient care and documented accordingly, with no positive gain to be had on behalf of the individual seeking sponsorship; any such sponsorship must be within local protocols or guidelines.

2.3.5.2 Hospitality

Modest hospitality may be accepted, provided:

- The frequency and scale of hospitality is not more than the Agency might be expected to give in return.
- The number of Agency staff availing of the hospitality is kept to a minimum.
- Invitations do not include the provision of travel or overnight accommodation and availing of the hospitality does not identify the Agency in a public way with any particular supplier or contractor.

When it is not easy to decide between what is not acceptable in terms of gifts or hospitality the offer should be declined or advice sought from the employee's superior.

Note: Breaches of the Code of Ethics will be regarded as a breach of discipline and will be dealt with in accordance with the disciplinary code of the Agency.

appendix 3

Documentation

documentation

3.1 Keeping Records and Files

Proper records and files must be maintained in respect of all procurement activities. It is the responsibility of the Purchase Approver, or his / her nominee, to maintain these records and files.

All tender files should include records of:

- Request to Purchase from user (Requisition / Memo)
- Approved list of tenderers
- Enquiry letter / call for competition notice or qualification notice
- List of response to letter / notice
- Conditions of Tendering
- Conditions of Contract
- Specifications / Description of work
- Qualifications / shortlisting report
- Regret letters to Suppliers not on tender list

Register of Tenders received (or requests for quotation, where appropriate)

- Copies of tenders or quotations (at minimum, the form of tender)
- Justification of use of any derogation
- Minutes of negotiation meetings, where appropriate
- Commercial evaluation report (spreadsheet)
- Technical / Clinical evaluation signed by Function Manager
- Executive summary / recommendation
- Purchase approval
- Copy of Order / letter of appointment / signed contract
- Award notice
- Regret letters to unsuccessful tenderers
- Contract award criteria
- Debriefing notes.

3.2 Holding Files

Files must be held safe and available for inspection as per the Health Agencies Administrative policy.

Negotiations Procedure

negotiations procedure

4

When conducting negotiations, the following outline procedures should be adopted:

4.1 Preparing for negotiations

- Form a small negotiating team
- Establish an award criteria e.g. compliance to specification, life cycle costs etc
- Thoroughly analyse the bid documentation
- Agree a short list of bidders for negotiation
- Set targets for the negotiation
- Agree tactics for the negotiation

4.2 Conduct of the negotiations

- Hold the meeting in the Health Agency premises
- The Health Agency's Commercial Evaluator leads the negotiations.
- Declare the ground rules for negotiation (i.e no dutch auction)
- Record minutes of the meeting and, if possible, agree the minutes with the supplier before the meeting is concluded.

appendix 5

Exceptional Circumstances

exceptional circumstances

5.1 URGENCY

In cases of extreme urgency, where an immediate purchase must be made in order to avoid significant risk to persons or property or significant financial loss to the Health Agency.

5.2 PROPRIETARY MATERIALS

The supplies or services being purchased are of a proprietary nature or comprise spare parts for existing plant and equipment and are only available from a single source. The market must be tested periodically to verify this, and at least once a year.

5.3 ADDITIONAL DELIVERIES

For additional deliveries where a previous contract was awarded under a competitive tender, and a change of supplier would result in incompatibility or disproportionate technical difficulties in operation or maintenance.

5.4 BARGAIN PURCHASES

For bargain purchases or for purchases under particularly advantageous conditions; e.g liquidation sale, creditors agreement, winding up

5.5 CONFIDENTIAL CONTRACTS

For contracts which are particularly sensitive and of special strategic importance to the Health Agency and which requires to be placed on a confidential basis.

5.6 STATUTORY TYPE PURCHASES

These are items of repeated expenditure that arise for essential services where only one possible service provider exists. Examples of such services are:

- Local authority service and water charges
- Rates on Health Agency property
- Motor taxation
- Membership subscriptions to professional associations

Regional Materials Managers

regional materials managers

appendix 6

John Swords
Eastern Health Board

Leo Stronge
Midland Health Board

Brian Long
Mid-Western Health Board

Richard Bruton
North Eastern Health Board

Anton Murphy
North Western Health Board

Brendan White
South Eastern Health Board

John O'Donovan
Southern Health Board

Martin Delaney
Western Health Board

Tim Carey
Hospital Procurement Services Group
- Voluntary Hospitals

Frank Smyth
General Manager,
Healthcare Materials Management Board