The GS1 Global Healthcare

User group – GS1 HUG

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FIASO (Federazione Italiana Aziende Sanitarie Ospedaliere) is the Italian Hospital Association. Members are 140 LHU, Hospitals e IRCCS (50% of the NHS)

FIASO organises Working Groups and makes Surveys on the most important subjects regarding the clinical and economic life of the Hospitals.

The objective is to create a ‘virtuous’ environment for sharing best practices.

An important role has been played (in the last few years) by the working team on Buying practices (research, conventions, Medical Plaza, legal newsletter and collaboration with Consip)
Costs for Products and Services (P&S)

% of total NHS expenses.

- 19.3 % 1995
- 21.4 % 1998
- 21.7 % 1999
- 22.7 % 2000
- 22.0 % 2002

The evolution of purchasing practices in HS

(1) Synergies among LHU in demand aggregation
- Purchasing Groups
- Areas Consortiums
- Regional Centralised Buying
- Prices Surveys

(2) New relationships model between demand and supply
- Market Places
- On-line auctions
- Integrated Supply Chain LHU-Suppliers
- Integrated Logistics among LHU
- De-localisation of logistics & warehouses
The Purchasing process

**LHU/Hospital**

- **Tender Closure**
  - **Tender**
  - **Request Definition**
  - **Ward**

**PURCHASING OFFICE**

- **Buying Request**
- **Product/Service Information**

**BUYING MANAGEMENT**

- **Delivery Request**
- **Delivery Information**

**Warehouses**

**PHARMACY ACCOUNTING**

**Special Agreements with Manufacturers**
Drivers and management variables:

1. Market Dimension
   - At country level (Consip)
   - At regional level (Centrale Acquisto)
   - At sub-regional level (Area Vasta e Unione d’Acquisto)
   - At company level (Logistica integrata, Supply Chain)

2. Product Categories

3. Request definition (forecast or plan)

4. Type of Agreements
   (open or close, voluntary or mandatory)
2. Product Categories
At national and regional level ‘common categories’ have been considered

**Consip:**
Ecotomography apparels, Ambulances, Pharma Products

**Central Purchasing (Lazio)**
Vaccines, Pharma Products, Global services, plant design and power.

**Buying Group:**
Vaccines, Radiology support substances, Dialysis equipment
3. Request definition (plan or forecast)

- **Country Level**: qty estimate
- **Regional Level**: detailed estimates per category (Lazio)
- **Sub-Regional Level**: detailed estimate
4. Special Agreements

-National Level:
Open agreements and voluntary participation

-Regional Level:
‘Closed’ agreements and mandatory participation

-Sub-Regional Level:
‘Closed’ agreements and voluntary/mandatory participation

(Area Vasta, Toscana, Unioni d’Acquisto, Emilia-Romagna)
Central Management

Comments

-National & Regional Level:
Savings on procedural costs for the tender process and request definition
Risk of competing offers on the same product categories between National (Consip) and Regional (Central Purchasing Lazio) level

Sub-Regional e Company level:
Savings on procedural costs and (high) savings on orders management because of the integrated logistics (Central Purchasing Bologna) and supply chain
Demand Aggregation: the ‘Area Vasta’

It’s part of the complex relationship between the autonomy of the LHU and the governance of the Region.

Ideal market dimension to better exploit the benefits of the competition.

Homogeneous territory.

Direct participation of the LHU/Hospitals in defining the common needs.
Demand Aggregation: the ‘Area Vasta’

Uniformity of public consumption

Transational cost decrease (surveys, negotiation, control)

Economies of scale and increase of negotiation power

Better quality of the public expense (homogeneous needs)

Business process re-engineering (vertical / horizontal) and definition of responsibility

Specialization of the operators and reinforcement of the marketing activities on the buying process.

Process savings (selection, request, stock mgmt, distribution)
Central Management and IT in logistics
Central Management and IT in logistics

_Supply Chain:_ it’s a complex system involving both the LHU and the environment.

It’s made by sub-processes:

1. _Request definition_
2. _Purchasing with (or without) tender_
3. _Internal purchasing_
4. _Products delivery and warehouse management_
5. _Customer satisfaction KPI_
Central Management and IT in logistics

*Supply Chain: effectiveness in combining the input (the request) and the output (the supply)*

*Economies of scale but also…*

*…better management of the logistic process (management of goods and distribution)*
## Products & non-health related services
(1999-2001, share of total production cost)

<table>
<thead>
<tr>
<th>Year</th>
<th>Incidenza acquisto di beni sul tot cp</th>
<th>Incidenza Acquisti servizi non sanitari sul CP</th>
<th>Incidenza B&amp;S non Sanitari sul CP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>9,51%</td>
<td>4,50%</td>
<td>14,01%</td>
</tr>
<tr>
<td>2000</td>
<td>9,03%</td>
<td>4,48%</td>
<td>13,51%</td>
</tr>
<tr>
<td>2001</td>
<td>9,05%</td>
<td>4,43%</td>
<td>13,48%</td>
</tr>
</tbody>
</table>

*Fonte: Osservatorio Bilanci FIASO*

*(Bilancio Consuntivo Aziendale – 1999, 2000, 2001 su Campione di Aziende)*
Products, Non-health related services, Pharma  
(1999-2001, delta %)

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<tr>
<th></th>
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<tbody>
<tr>
<td>Products</td>
<td>4,86</td>
<td>8,95</td>
<td>14,24</td>
</tr>
<tr>
<td>Non-health related services</td>
<td>9,93</td>
<td>7,49</td>
<td>18,16</td>
</tr>
<tr>
<td>(Maintenance &amp; Services)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,48</td>
<td>8,47</td>
<td>15,50</td>
</tr>
<tr>
<td>Total Production Cost</td>
<td>10,47</td>
<td>8,67</td>
<td>20,05</td>
</tr>
</tbody>
</table>

Fonte: Osservatorio Bilanci FIASO  
(Bilancio Consuntivo Aziendale – 1999, 2000, 2001 su Campione di Aziende)  
(*) Fonte: Federfarma
Tools for budget control in LHU

- Empowerment and responsibility definition
- Budgeting by objectives/results/ressources
- Process simplification
- IT
- Increased competition
Conclusions

- Changes in the legal-operational framework for the LHU
- Likely increase of non-quality costs
- Loss of negotiation power at regional level for LHU
- Lacks of benchmarking for hospital performances

**RISK:** to miss the benefits from process innovation in purchasing process developed by LHU and Regions.

- Patient safety and quality of services are the primary objective, budget control it’s only a constraint.
  - The purchasing process and optimal ressource allocation are the main drivers.
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