

HPV Supply Chain Reform Project Update



AHSPO Conference 24 October 2013

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About HPV

HPV was established in 2001 as an independent statutory authority under the Health Services Act 1988

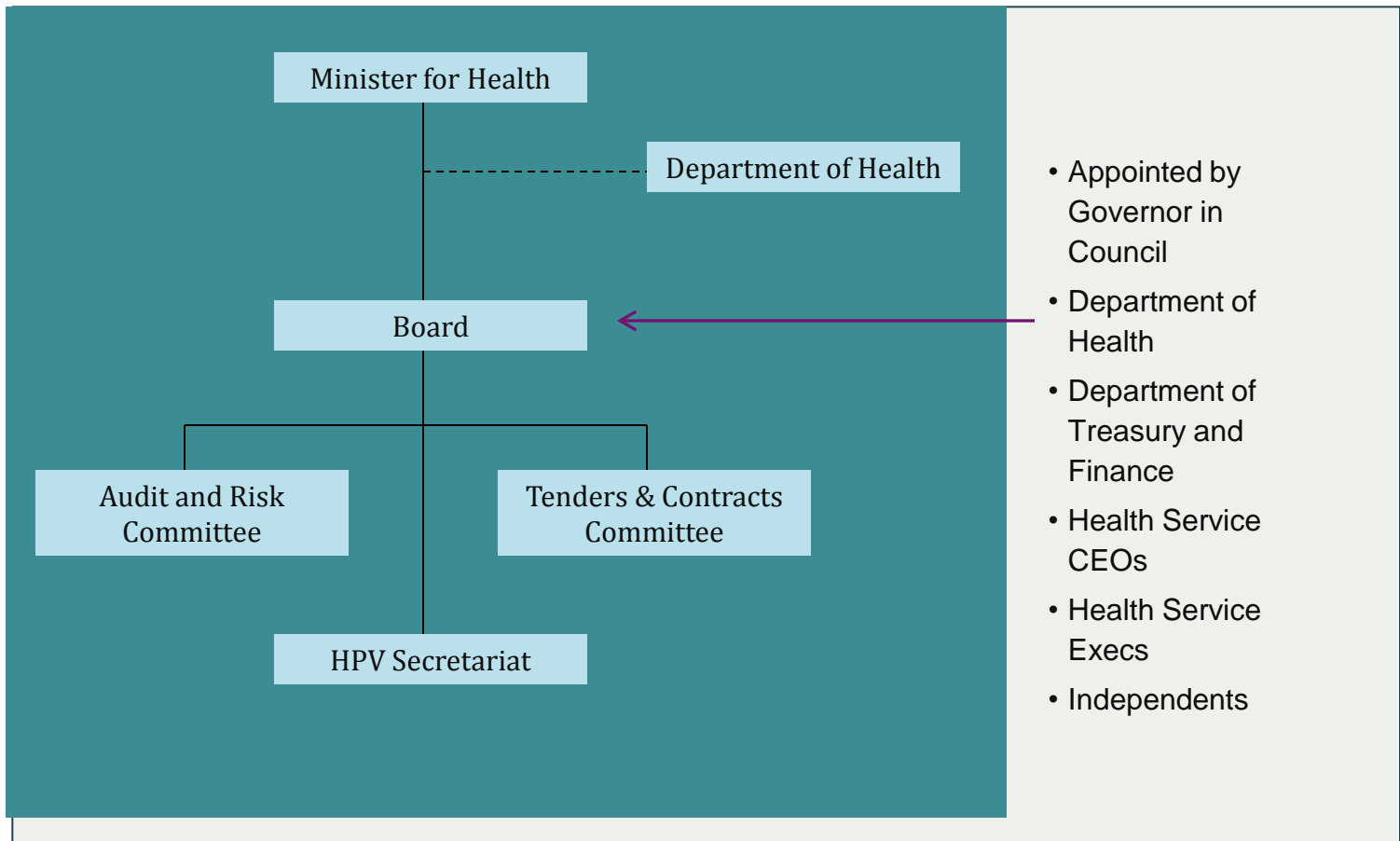
Purpose

HPV achieves best value supply chain outcomes for Victoria's health sector

HPV Core Functions

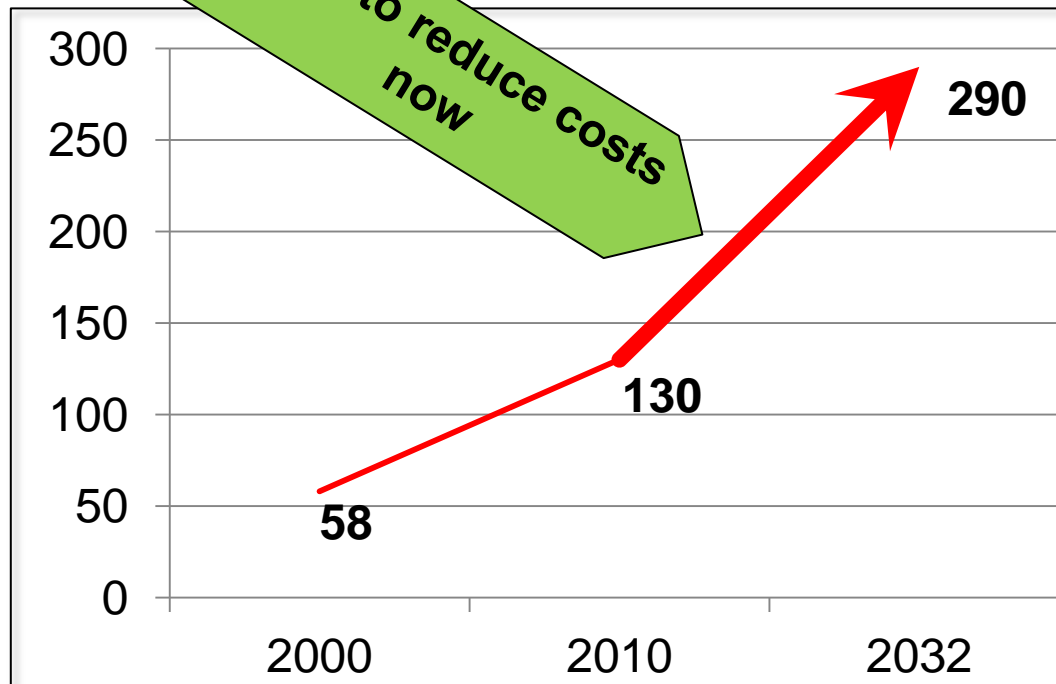
- To supply or facilitate supply of goods and services
- To provide advice and support
- To monitor compliance
- To foster improvements in use of systems and e-commerce
- To maintain useful data and share that with health services
- To ensure probity is maintained in the purchasing, tendering and contracting *of public hospitals*

HPV organisation



Why Supply Chain Reform?

- HPV Strategic Plan 2012-2017: ***“Drive end-to-end supply chain efficiencies”***
- Healthcare spending in Australia is growing (in billions):



Why Supply Chain Reform?

- Benefits include:
 - increased visibility of demand
 - Improved technology and integration of systems
 - reduced effort in maintaining individual supply chains. Effort can go directly into patient care and improving hospitals standards
 - More efficient delivery which can also improve the quality of care to patients

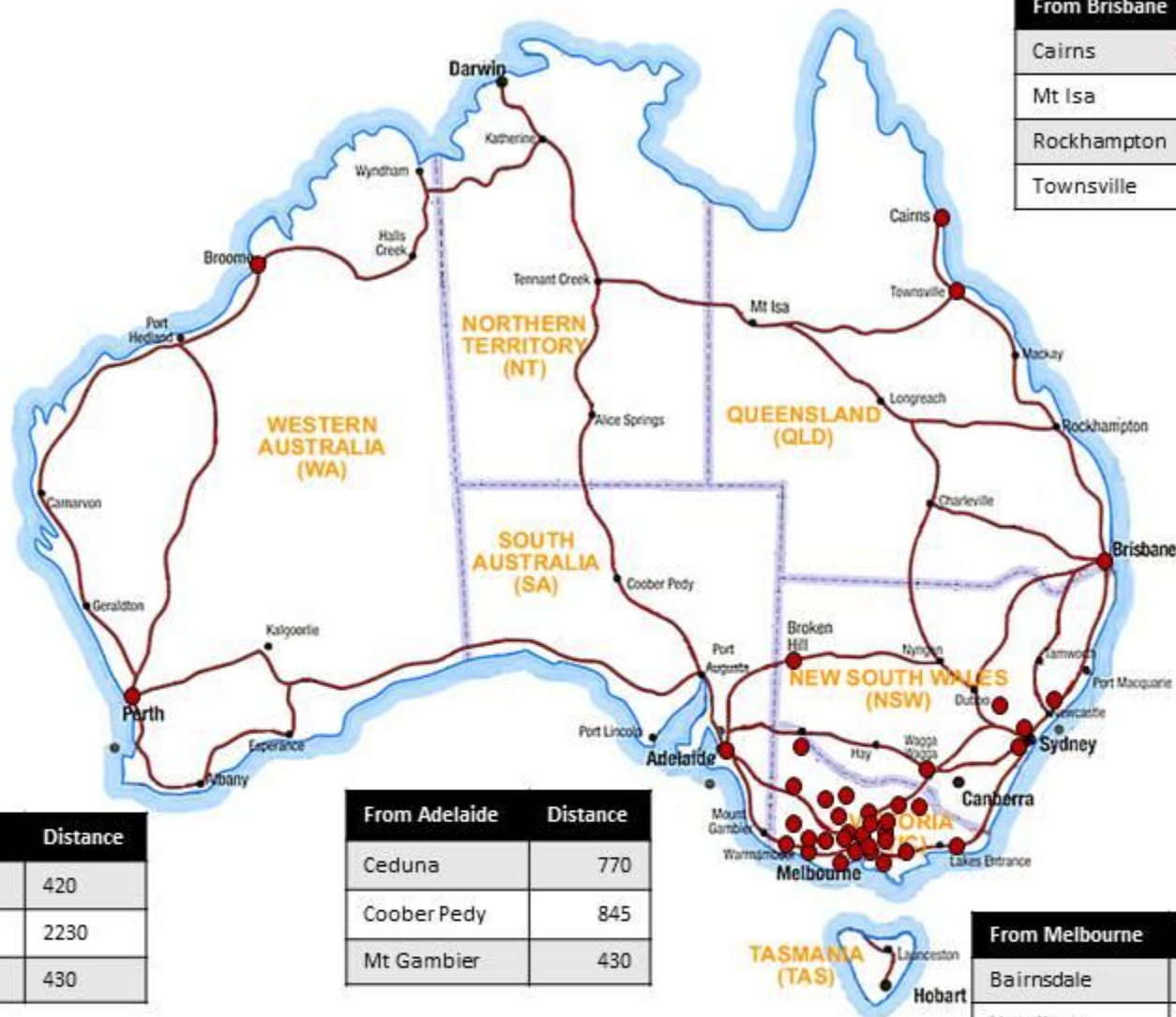
The proverbial iceberg...

HPV has traditionally focused on achieving the best purchase price within existing constraints. This has delivered savings however evidence shows that there is much greater benefit to be achieved by addressing the drivers of price.

Purchase Price

Drivers of price





From Brisbane	Distance
Cairns	1700
Mt Isa	1823
Rockhampton	630
Townsville	1350

From Sydney	Distance
Bega	420
Broken Hill	1160
Coffs Harbour	530
Wagga Wagga	460

2 Metro
4 Regional

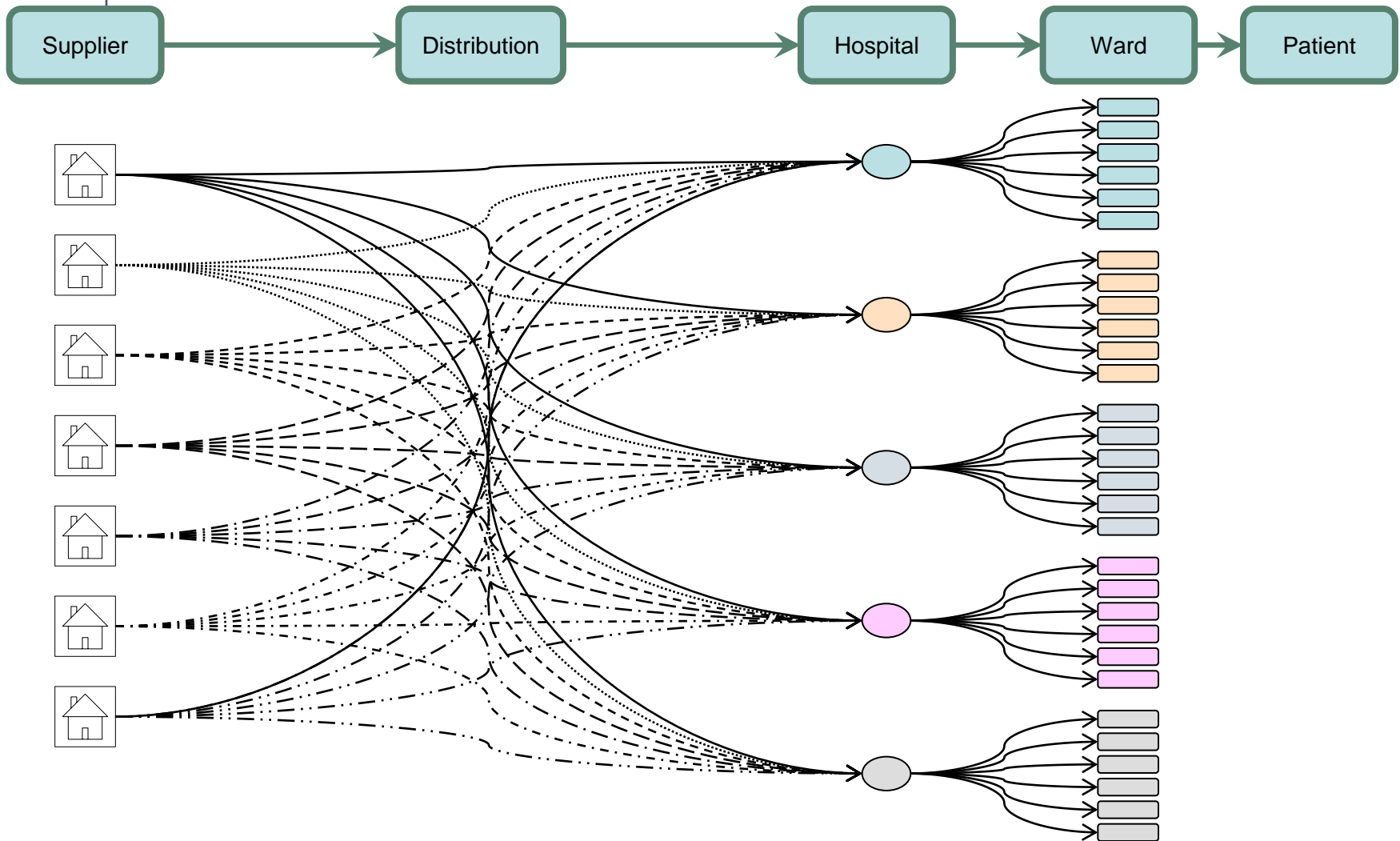
From Perth	Distance
Albany	420
Broome	2230
Geraldton	430

From Adelaide	Distance
Ceduna	770
Cooper Pedy	845
Mt Gambier	430

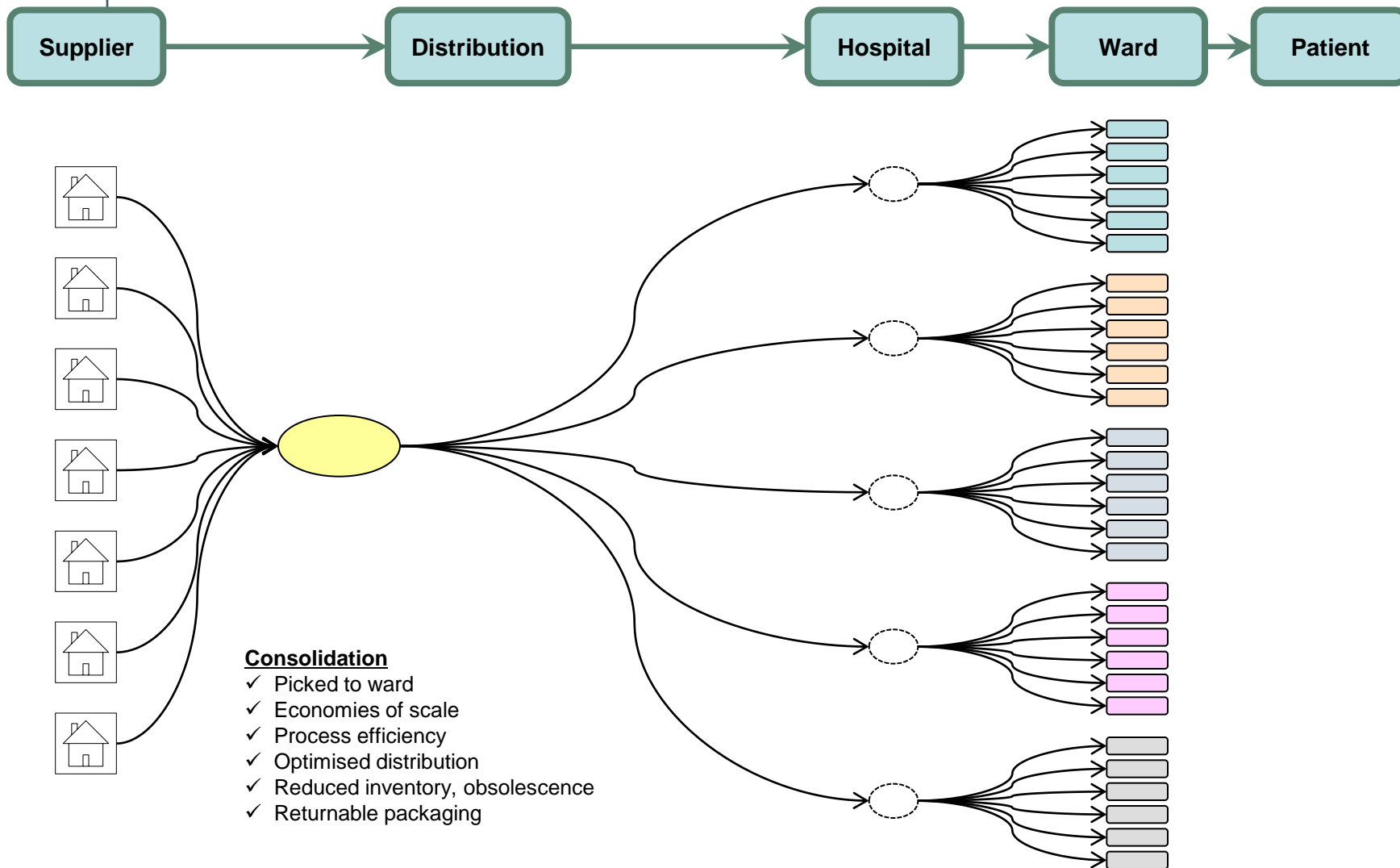
From Melbourne	Distance
Bairnsdale	280
Hamilton	290
Mildura	540
Wodonga	320

• Warehouses

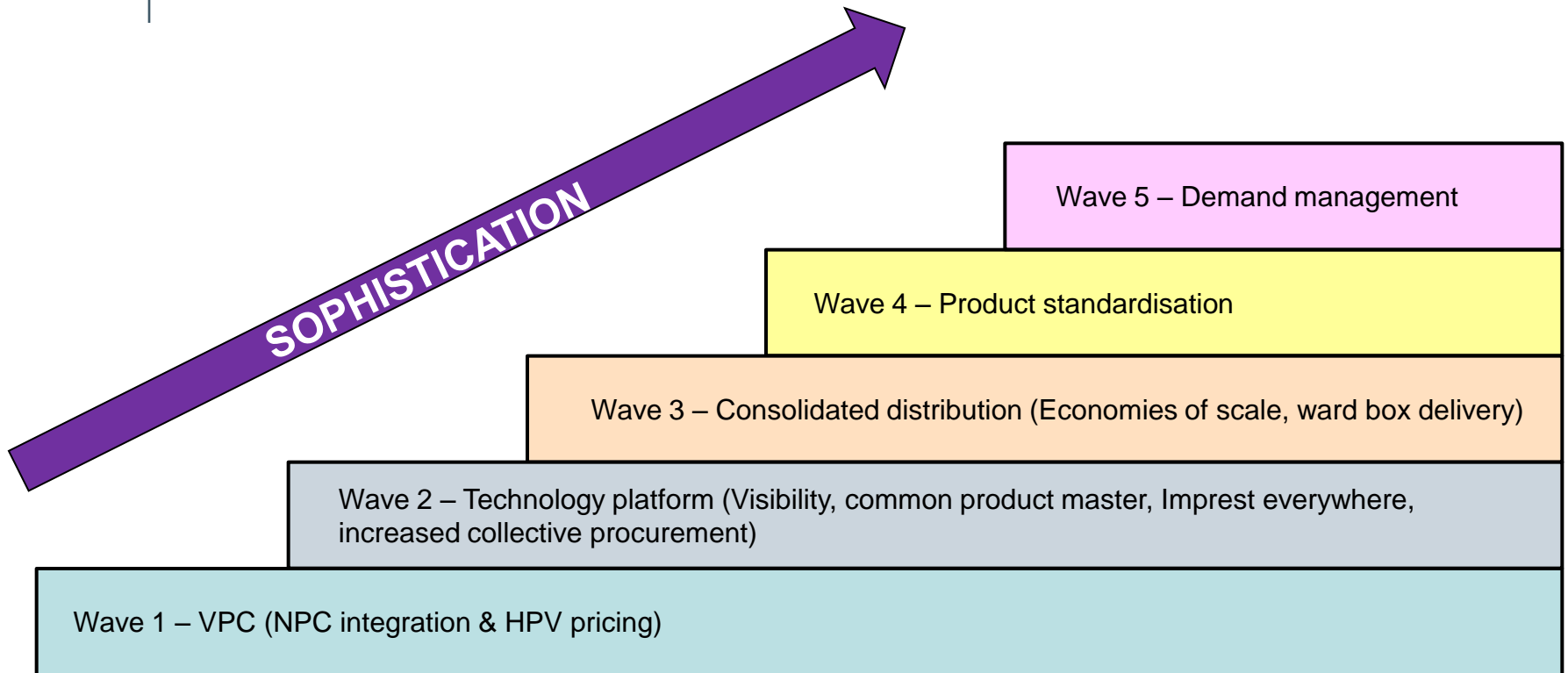
NOW (in Victoria)



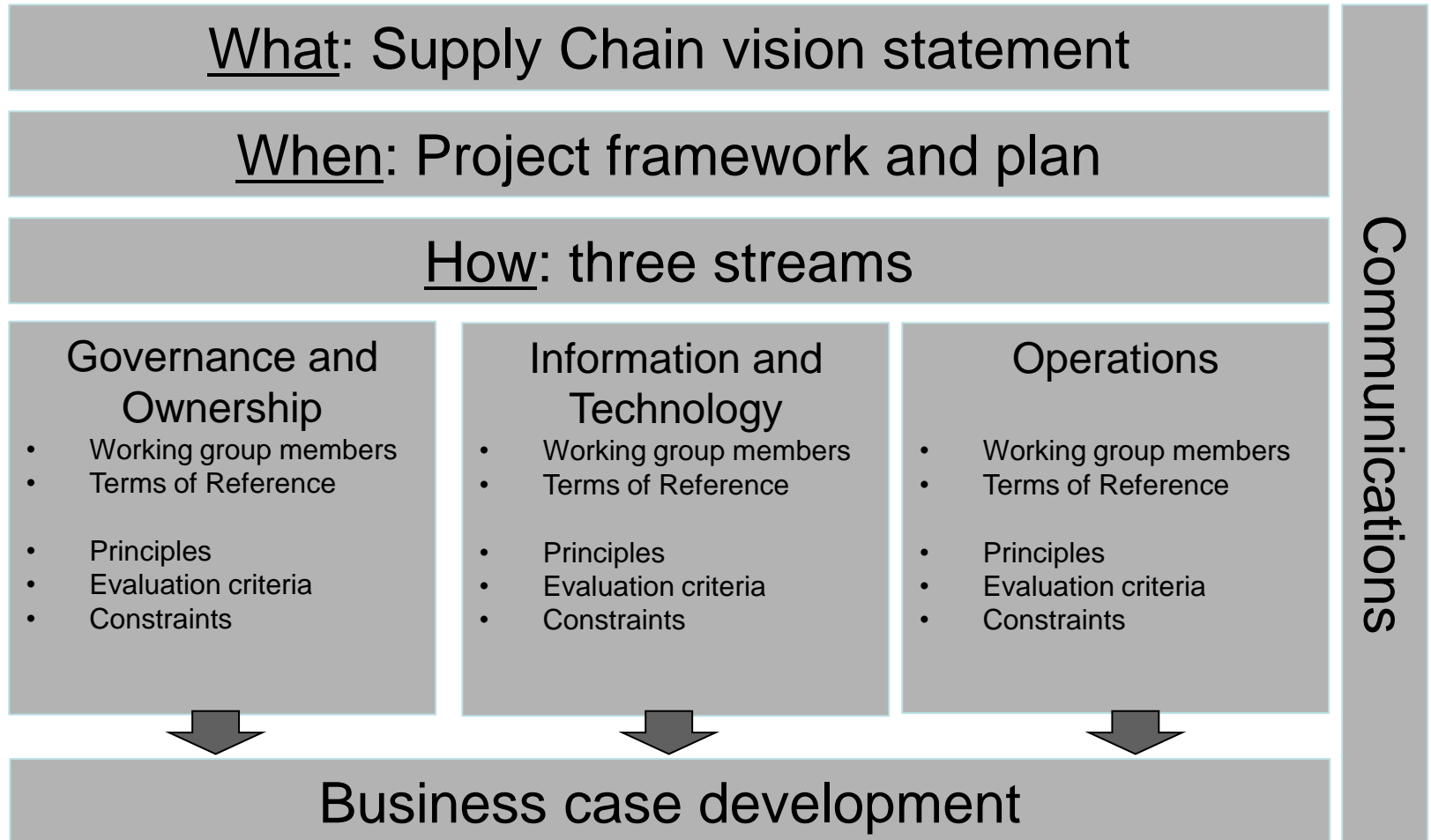
FUTURE ?



Waves of Supply Chain Reform



Supply chain approach



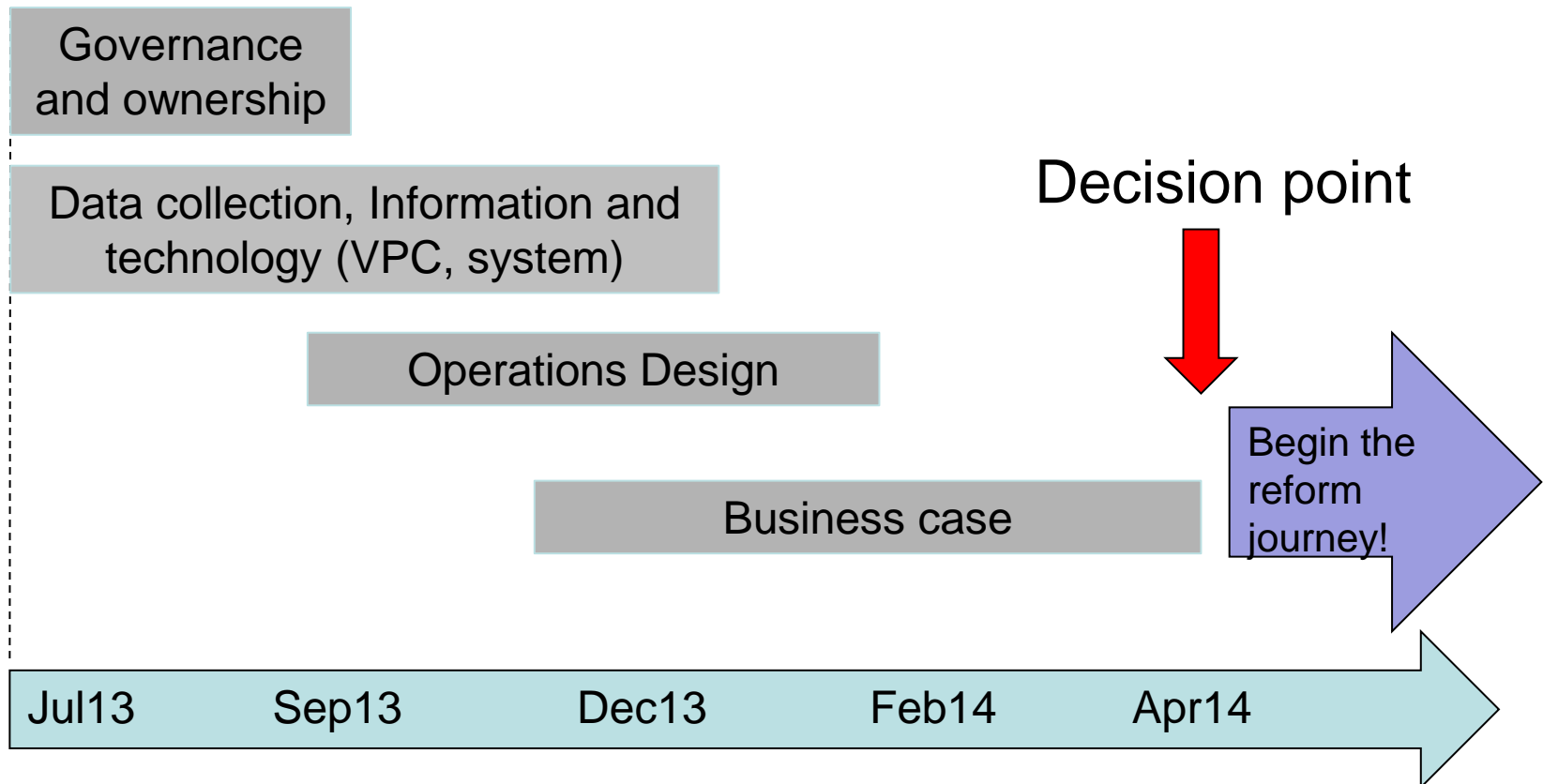
Governance workshop outcomes

Unanimously endorsed:

- HPV, on behalf of state, to progress feasibility study and business case
- Actions include:
 - Bottom-up data collection (CEO network to support)
 - Operational options to be studied
 - Transport options to be studied
 - ICT approach to be determined
- Discuss governance model options once operational options are evaluated

Indicative timeframe for business case

(Working) Vision: To unlock cost efficiencies and improve clinical outcomes by optimising the supply chain of health products in Victoria



What does it mean for suppliers?

- Uncertainty for now: feasibility study over next 6 months
- Possibilities:
 - A consolidation of warehouses and distribution arrangements
 - FIS to consolidation points
 - Outbound freight handled separately
 - Larger UOM being purchased
- Provide support, if required, to enable an accurate supply chain picture.
- Provide input into the project, where appropriate
- Changes to HPV sourcing pricing request format to cater for future supply chain options (effective now)
- HPV will be requesting various pricing models from a sample of suppliers on current contract scenarios

Next Steps

We will:

- Continue study of other jurisdictions and countries – Australian states, NZ, UK, US – and other industries
- Expedite gathering of detailed baseline data from hospitals and suppliers
- Develop framework for Operational and Transport studies
- Develop business case of options