

Definition of Key Health Purchasing Policy Terms

Terminology	Definition
<i>(Category) Analysis</i>	The analysis conducted to understand the category (or an individual procurement) in terms of the demand profile, total cost, business needs, specification of requirements for the goods or services, market dynamics, in particular the number of potential suppliers and level of market competitiveness, the social, technological, political, legal and economic environment of the category, the complexity and risks.
<i>Capability</i>	Competence, capability and capacity are often used interchangeably to describe an individual's or organisation's ability to perform tasks or activities effectively. In the context of managing procurement activity, the term 'capability' is increasingly used to describe the combination of an organisation's expertise, resourcing, systems, policies and processes to execute and manage specific procurement tasks and activities.
<i>Chief procurement officer (CPO)</i>	The CPO provides strategic expert advice and oversight of the procurement function to drive and ensure value-for-money outcomes in the organisation. The CPO is responsible for developing and monitoring a number of strategic procurement activities. The CPO can be a role or a position.
<i>Contract Transition</i>	This involves the handing over of the contract/agreement from the procurement practitioner to those responsible for its ongoing management. This may involve a formal briefing, and includes the provision of the agreement details and pricing, including uploading data to the contract management systems and/or catalogues.
<i>Contract Implementation</i>	The process of commencing a new contract and/or transition from the current supplier(s) to a new supplier(s). Includes debriefing of unsuccessful responders to the invitation to supply, briefing of successful suppliers and detailed planning for their on-boarding, and off-boarding of any current incumbents who are not continuing.
<i>Contract Management</i>	The process of ensuring the contractual obligations of successful suppliers are met during the life of the contract. Elements of contract management include supplier performance management, monitoring contract activity including acquittal against budgets, invoicing against contract prices/rates, review of KPI's and contract activity, and may involve regular meetings with stakeholders and/or suppliers. Proactive management will also seek to work with supplier to identify opportunities for additional benefits from the contract.
<i>Compliance</i>	To be in compliance with a legal agreement or established standards, goods, services and/or processes are required to adhere to the specified requirements.
<i>Engagement</i>	The practice of securing procurement influence upon procurement projects at an early stage of evolution, typically before the procurement strategy is set or the supply market engaged. Early involvement is regarded as important as, without it, the scope of procurement influence is reduced, for example for negotiating the price. When involved earlier in the process, procurement influence can affect the nature and timing of demand, the specification, the sourcing strategy and the market engagement, as well as the selection of suppliers

<i>Evaluation</i>	Evaluation is the systematic consideration of the value, quality, importance or worth of something or someone. Procurement processes often require judgements to be made, for example deciding whether to approve a potential supplier, deciding which offer represents best value, or deciding whether to single source or adopt a different strategy. This means that the decision-making processes to evaluate alternative options need to be systematic and repeatable, and because of the obligation to demonstrate probity, decision-making also needs to be transparent and recorded.
<i>Health Purchasing Policies</i>	A set of rules to promote best practice in conducting and documenting procurement practices in public hospitals or health services.
<i>Invitation to Supply / Approach to Market</i>	The process involved in engaging the market to provide a proposal(s) to supply the good or services to be procured. This includes the process of evaluating responses and recommending one or more suppliers to negotiate a final agreement or contract
<i>Mandated health services</i>	Section 132 of the Health Service Act require public hospitals and health services to abide by HPV set policies. Schedule 1 and 5 public hospitals and health services (as listed in the Health Services Act 1988 (Vic), are referred to as 'mandated health services').
<i>Negotiation</i>	Following evaluation of responses there may be a need to negotiate the final terms of an agreement to supply the goods or services with one or more suppliers, until the final supplier or panel of supplier is selected. This includes determining the final terms of the agreement. including prices and KPI's, with the successful supplier(s)
<i>Non-Salary Spend</i>	Non-Salary spend includes all expenses for an organisation excluding wages and associated expenses. This includes, but is not limited to, consumable supplies including prostheses and pharmaceuticals, capital equipment, information technology supplies and services, engineering, facilities management and support services, and professional and clinical services.
<i>Opportunity assessment</i>	Opportunity assessment is the process of identifying future procurement opportunities and/or options to improve value on existing arrangements. It requires an understanding existing spend profile of a category, a preliminary review of business requirements and constraints, an estimate of organisational capability and resources required for the procurement, the expected benefits, and preparation of the preliminary business case for conducting the procurement.
<i>Participating health services</i>	Mandated and non-mandated health or related services that are participating in a HPV collective agreement are referred to collectively as 'participating health services'.
<i>Probity</i>	Uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.

<i>Procurement</i>	<p>The end to end process of sourcing a supplier, contracting, purchasing the good or service, managing the contract, including supplier performance, and contract expiry or review.</p> <p>Procurement is a more comprehensive term than purchasing, which is more focused on the tactical acquisition of goods and services and the execution of plans rather than the development of strategies. Procurement can be a department, a role and/or a process.</p>
<i>Procurement Activity plan</i>	<p>A procurement activity plan is a list of all the significant anticipated procurement activities of the health service over a period of time (ideally 12-18 months). A significant procurement activity to each health service depends on the size of the organisation and is generally associated with a procurement activity that covers a large portion of spend for the organisation given its usual spend profile.</p>
<i>Procurement Categories</i>	<p>A grouping of related goods or services based on similar characteristics. For example, packaging as a category may include a variety of different goods and materials, all of which share a common purpose. A category may be further divided into subcategories based on physical characteristics, such as plastic packaging, or cardboard packaging.</p>
<i>Procurement Governance</i>	<p>Governance in procurement refers to the overall systems and procedural arrangements to ensure that the procurement process applies appropriate levels of control and probity. The key components of a governance regime are an appropriate procurement policy; procedures defining how the process should be managed; allocation of roles and responsibilities so that roles are separated and appropriately capable staff manage the key processes; and controls and review processes to monitor the performance of the procurement process.</p>
<i>Procurement Strategy</i>	<p>A procurement strategy describes the contribution that effective procurement will make to fulfil an organisations/health services aims and objectives. The definition of procurement in this context is not only limited to purchasing – it can have a wider meaning and can address the ways in which the organisation/health service can deliver its services – from providing the service in-house to joint commissioning and outsourcing.</p>
<i>Procurement Model</i>	<p>A step by step approach to conducting procurement.</p>
<i>Reference Group</i>	<p>Generally, we use the term 'Reference Group' to refer to a group of eminent professionals with expertise in a given area that can be called on for opinions or advice on issues that arise from time to time. As a general rule, reference groups are intended to include a core group of members, with specialist skills in a particular area, who are available and willing to provide advise or opinions to the procurement team</p>
<i>Schedule 1 and 5 Health services</i>	<p>Health Service providers listed as public hospitals or public health services as part of the Health Service Act 1988.</p>

Sourcing Strategy

An proposed strategy for engaging the market for a particular category (or individual procurement) based on the category analysis including the proposed approach to market, contract terms and contract management plan. The sourcing strategy is usually presented in a business case which will identify the above and the expected benefits, both tangible and intangible, of the procurement.

Note: This is an evolving document, with terms and definitions constantly added to provide further clarification. If you have any requests, please provide your feedback via processimprovement@hpv.org.au.