



HEALTH PURCHASING VICTORIA 2018-2022 STRATEGY

December 2017



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EXECUTIVE SUMMARY

This Health Purchasing Victoria (HPV) Strategy sets out HPV's key objectives for the next five years to advance safe, affordable and sustainable healthcare for all Victorians, strengthening its core functions to deliver 'best value' procurement incorporating safety and sustainability objectives, improved customer service and engagement – particularly in regional areas – and an enhanced probity framework.

Since 2012, HPV and Victoria's health sector have collectively achieved almost a billion dollars in value under collective contracts – an increase to \$915 million in 2016-17 from \$425 million in 2011-12. Over this same period, HPV has consistently delivered financial returns more than 5.5 times the initial investment.

HPV's 2018-2022 Strategy is aligned to feedback from key stakeholders in Victoria's health sector including health services, suppliers, the Department of Health and Human Services (the Department), government entities and associated organisations. It articulates a more strategic direction for HPV that builds on our past achievements and establishes a fundamental approach to drive future success.

A key element of the Strategy is informed by the State Government's 2016 *Targeting Zero* review of hospital safety and quality assurance in Victoria and the recommendations contained in the *Better, Safer Care: Delivering a world-leading healthcare system* report: in particular the need for increased clinical engagement, information sharing and cross-agency collaboration.

In working to achieve these aims and to contribute to improved patient outcomes, HPV collaborates with Safer Care Victoria, a new administrative office established by the Victorian Government in 2017 in response to the *Better, Safer Care* report to work with health services to improve the quality and safety of care across the health system.

HPV's vision to advance safe, affordable and sustainable healthcare is also underpinned by many of the key principles of the Department's *Health 2040: Advancing Health, Access and Care* report, including:

- An increased focus on **patient-centred care**
- **Sustainability** to ensure greatest value and benefit for patients now and into the future
- Increased use of **technology and data** to share information, and improve the integrity and availability of information to drive supply chain decisions
- **Innovation** in response to changing community needs
- **Evidence-based care**
- **Transparency and accountability**

HPV also accepts the recommendations arising from the Victorian Auditor-General Office's (VAGO's) 2011 report *Procurement Practices in the Health Sector*, which identified further opportunities for HPV to increase health service savings and improve procurement practices.

A key VAGO recommendation requiring HPV to address weaknesses in the transparency and appropriateness of hospital decision-making was the catalyst for new Health Purchasing Policies in 2014. By 30 June 2016, 100% of health services had successfully transitioned to the new policies with support from HPV's regional procurement advisers.

Building on this experience to further enhance the delivery of HPV's statutory obligations under the *Health Services Act 1988*, HPV established a dedicated customer engagement function in 2017 to serve Victoria's network of rural, regional and metropolitan health services.

This Strategy strengthens HPV's activities to increase HPV's coverage of health service spend and enhance health service compliance as defined under the Act. Key elements of the Strategy are to:

- **Redefine 'best value' procurement beyond cost to strengthen patient-focused clinical outcomes:** Improved patient safety, a more efficient supply chain, and greater sustainability for all goods and services provided to patients across Victoria's regional and metropolitan health services.
- **Establish a more agile response to operational constraints:** Expand HPV's strategic procurement framework to leverage value drivers, focusing state-wide procurement on high-value, strategic categories and exploring initiatives to increase the agility of HPV's procurement function.
- **Increase organisational effectiveness and efficiency:** Focus on HPV's core competencies in procurement and value delivery, customer engagement, supply chain initiatives, and probity and compliance – and enhance organisational capability and capacity via the enabler functions of data and systems, customer engagement, and people and culture.

These elements provide a base to enable HPV to respond in innovative ways to a volatile external environment characterised by sharp growth in healthcare demand, increased cost pressures and a greater focus on quality and safety as well as regionalised health service delivery.

HPV's Strategic Goals for 2018-2022 are to:

- **Deliver best value healthcare outcomes,** and expand the meaning of 'best-value' to encompass financial, social and environmental sustainability.
- **Increase customer engagement** to be more responsive to customer needs and customer feedback across regional and metropolitan areas.
- Continue to **support procurement and probity practice improvement.**
- **Improve the integrity and availability of information used to drive supply chain decisions** and support more informed choices.
- **Enhance capability and capacity.**

Supporting these strategic goals is the organisational Vision and Values statement, which sets out HPV's objective to improve safety, affordability and sustainability for all healthcare patients, as well as guiding HPV's internal conduct and relationships with customers, stakeholders and the wider community.

HPV acknowledges the generous contribution of over 150 participants, together with more than 80 health service executives, in one-on-one discussions and regional workshops during the Strategy consultation phase. HPV is grateful for the extensive input from our health service customer stakeholders, as well as the Department, Safer Care Victoria, other government entities and HPV employees. HPV also wishes to thank the Board for its valuable input into the Strategy development and in reviewing draft documents.

Together, we look forward to working collaboratively to achieve our strategic goals over the next five years for the benefit of all Victorians.



HPV Board Chair Felix Pintado



HPV Chief Executive Elaine Ko

OPERATING ENVIRONMENT

Governance

Established in 2001, HPV works in partnership with Victoria's public health services to understand their requirements and support high-quality patient outcomes.

HPV is responsible to the Minister of Health and works closely with the Department of Health and Human Services (the Department). HPV is an independent statutory authority established under section 129 of the *Health Services Act 1988*¹, with responsibility for delivering on the functions contained in section 131 of the Act.

Under the Act, HPV has a role to:

- Facilitate large-scale collective tenders in collaboration with health services for the goods and services they purchase, and manage common-use contracts on behalf of the state.
- Develop, implement and review policies and practices to promote best value and probity, and provide advice, staff training and consultancy services.
- Provide staff training and consultancy services relevant to the supply of goods and services to health or related services other than public health services.
- Monitor compliance by public health services with purchasing policies and HPV directions.
- Foster improvements in the use and application of purchasing systems and trading by electronic transactions by health services.
- Establish and maintaining a database of purchasing information of public health services and supply markets for access by public health services.
- Ensure probity is maintained in purchasing, tendering and contracting activities in public health services.

The good procurement practices that HPV promote ultimately benefit all Victorians by advancing improved patient care and high-quality, financially-sustainable outcomes.

Stakeholders

HPV collaborates with a broad range of stakeholders to achieve objectives for the benefit of Victoria's health sector and broader community.

- HPV works closely with its primary stakeholders: public health service boards, executives and employees.
- HPV partners with suppliers, ranging from local small businesses to large multi-nationals to deliver goods and services to health services.
- HPV consults and collaborates with those responsible for HPV's oversight, including the Minister for Health, the Department, and other government organisations and regulatory bodies with

¹ *Health Services Act 1988* – Appendix 1.

responsibility for transparency and accountability including:

- Victorian Auditor-General's Office
 - Victorian Government Purchasing Board
 - Independent Broad-based Anti-corruption Commission
 - Public Record Office Victoria
 - Department of Treasury and Finance
 - Commonwealth Government and its agencies
- Those responsible for driving improvements in safety and quality, specifically clinical networks and Safer Care Victoria.
 - The wider Victorian community, in particular patients, their families and carers.

Challenges and Opportunities

Victoria's health sector faces many of the same challenges and opportunities faced by health systems around the world, in particular:

- Demand growth
- Increased focus on quality and safety outcomes
- Cost pressures contributing to an uncertain budgetary environment
- Changes in the budget direction which may affect the health service funding model
- Increased focus on regionalisation of service delivery to drive efficiency
- Evolving health service priorities which in turn influence HPV's strategic direction
- Increased need for strategic relationships with both health services and suppliers to drive increase benefits to the health sector.

Strategic Drivers

HPV must be well-prepared to effectively and efficiently respond to changing financial, social and technological developments and government policies in order to benefit from opportunities and mitigate against risks.

HPV's Strategy for 2018-22 has been developed against a backdrop of its past achievements², the *Health Services Act 1998*, and key reports and reviews by the Department and the Victorian Auditor-General's Office, including:

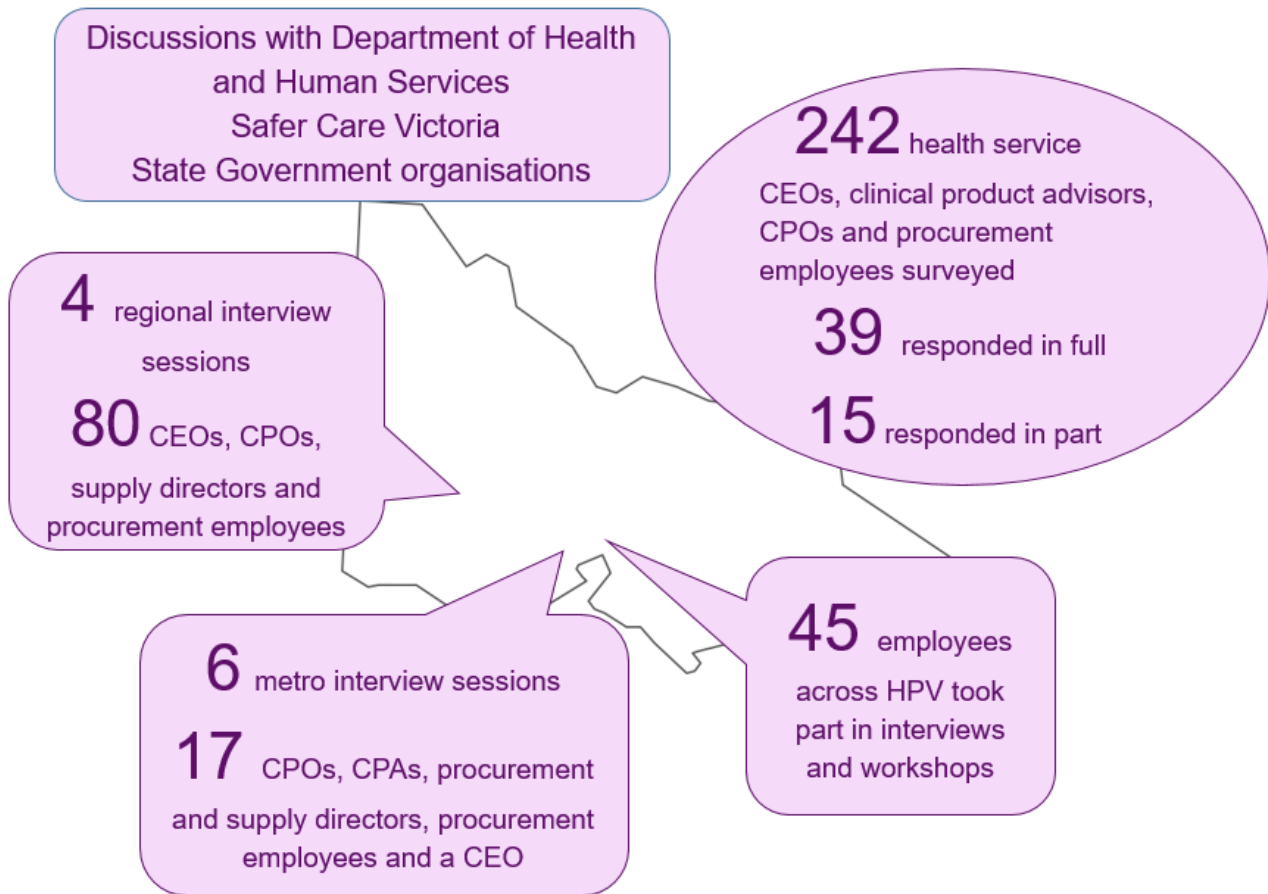
- *Better, Safer Care: Delivering a World-Leading Healthcare System* (Department of Health and Human Services, 2016)
- *Health 2040: Advancing Health, Access and Care* (Department of Health and Human Services, 2016)
- *Procurement Practices in the Health Sector* (Victorian Auditor-General's Office, 2011)

The Strategy also reflects external trends and developments, takes into account the current fiscal environment and is informed by stakeholder input.

² Appendix 3: Achievements against HPV Strategic Plan 2012-2017

In addition to taking into account the background external environment while developing this Strategy, HPV engaged key stakeholders as part of consultation during 2016-17.

HPV conducted a comprehensive stakeholder assessment across both metropolitan and regional health services via interviews, workshops and an online survey. The assessment involved a cohort of 154 participants from health service procurement, executive and clinical departments, as well as HPV employees.



During this consultation phase, HPV identified a range of common themes from across health services and HPV stakeholder to inform the broader strategic direction. These themes are outlined below and in the following table:

- HPV can better meet the diverse needs of metropolitan and regional health services by further improving its customer engagement approach.
- Clinical and other expert advice is essential to help ensure the right products and services are included in HPV contracts to improve patient outcomes.
- A more proactive planning process to drive tender activity and state-wide alignment of sourcing and category management strategy.
- More strategic engagement with suppliers can realise opportunities for market-led innovation.
- Improved data availability and visibility can drive more informed decision-making.

Stakeholder Feedback	Strategic Goal
Understanding health services from a regional perspective Improve benefits reporting and communication	Customer engagement
Simplify governance structure requirements	Probity and compliance
Regionalisation – maximise efficiency and improve regional coordination	Deliver best-value health outcomes
Provide training resources to stakeholders Enhance capability	Enhance people and capability
Improve data availability and visibility	Improve integrity and the availability of information used to drive supply chain decisions

HPV VISION AND VALUES

HPV's 2018-2022 Strategy confirms our organisational Vision and Values.

Together, they support HPV's Strategic Goals by describing HPV's objective to improve safety, affordability and sustainability for all healthcare patients. They also guide HPV's internal conduct and establish how we work together with customers, stakeholders and the wider community to achieve these goals.

Vision

***Health Purchasing Victoria:
Advancing safe, affordable and sustainable healthcare.***

Values

HPV's values drive our culture, processes and behaviours, and how we work internally and externally to achieve our vision.

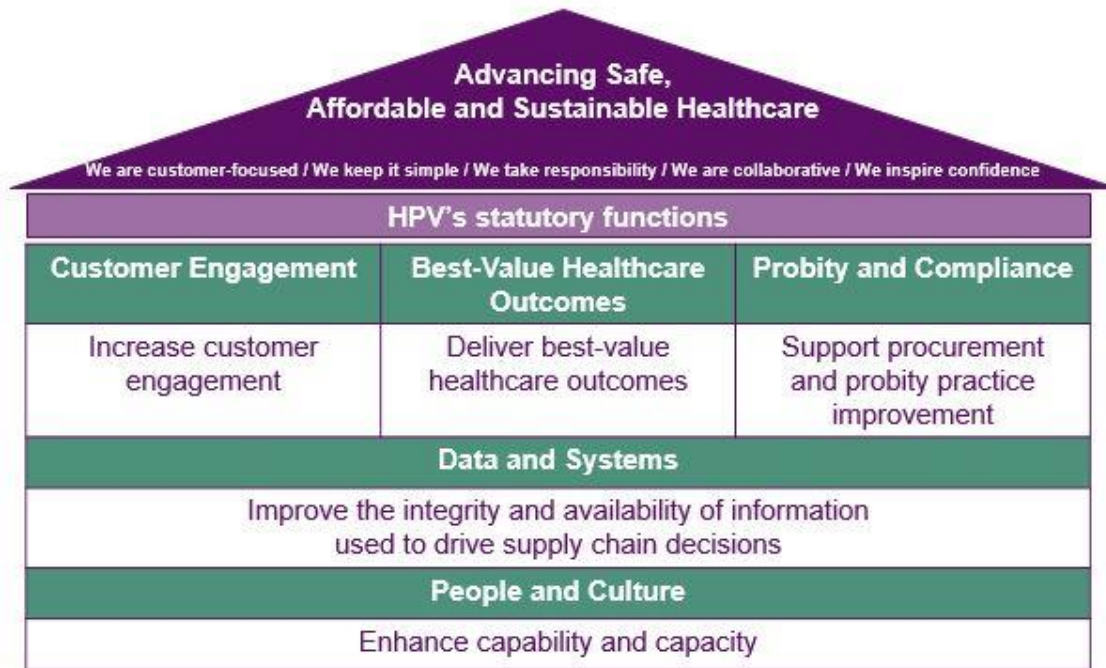
<i>We are customer-focused</i>	We focus on customer and patient outcomes
<i>We keep it simple</i>	We strive for efficient and effective ways to achieve our goals
<i>We are collaborative</i>	We work as a team toward common goals
<i>We take responsibility</i>	We challenge the status quo. We are responsible for our behaviours, actions and results
<i>We inspire confidence</i>	We do the right thing. We are open, honest and trustworthy

HPV STRATEGY 2018-2022: FRAMEWORK

Strategic planning framework

HPV's 2018-2022 Strategy relates to the 2018-2022 calendar years and is part of a broader strategic planning and monitoring framework designed to enable the translation of HPV's long-term strategic goals into day-to-day operations.

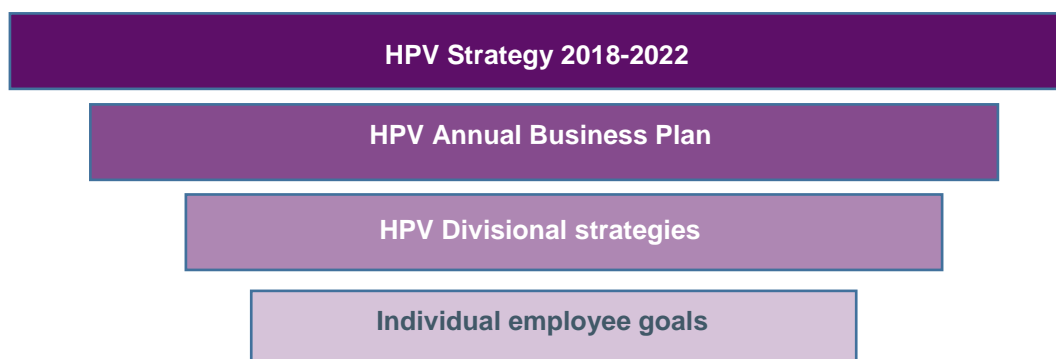
This framework is illustrated in the following diagram:



HPV's annual Business Plan is the key link in realising the 2018-2022 Strategy, with annual Business Plan actions directly linked to the strategic goals and actions articulated in this Strategy.

The annual Business Plan in turn cascades through the organisation to HPV's divisional plans and ultimately to the performance and professional development activities of individual employees.

In addition, specific plans will also be developed and/or refined over the next five years to support delivery of the 2018-2022 Strategy.



HPV STRATEGY 2018-2022: STRATEGIC GOALS

The following deliverables describe the activities HPV will undertake over the 2018-2022 calendar years to achieve its Strategic Goals.

HPV's strategic activity for the 2018-2022 period is also categorised in Appendix 2³ by functional division, to demonstrate the inter-relationships and linkages between each functional area in working together to achieve HPV's Strategic Goals.

HPV Strategic Deliverables

HPV Strategic Goal 1: Deliver best-value healthcare outcomes

1. **Achieve benefits from HPV agreements**
2. **Commence measuring non-financial benefits to increase procurement focus to enable improved patient outcomes and unlock supply chain efficiencies**
3. **Deliver a three-year supply chain productivity roadmap to deliver a minimum of \$5 million in efficiency savings by 2019-20**
4. **Implement the three-year strategic procurement roadmap to extend value-add beyond collective sourcing**
5. **Develop and implement a five-year clinical engagement roadmap.**

HPV Strategic Goal 2: Increase customer engagement

1. **Identify opportunities to improve procurement process efficiency and assist health services with contract transition and compliance**
2. **Improve the response time for health service queries.**

³ Appendix 2: HPV Strategic Activity 2018-2022

HPV Strategic Goal 3: Support procurement and probity practice improvement

- 1. Provide a face-to-face probity training program to metropolitan and regional health services**
- 2. Develop plan to address non-compliance issues and recommendations for improvements identified from Victorian Auditor-General's Office compliance audit and health service compliance audits**
- 3. Maximise health service compliance with the five Health Purchasing Polices**
- 4. Maximise health service compliance with HPV Collective Agreements.**

HPV Strategic Goal 4: Improve the integrity and availability of information used to drive supply chain decisions

- 1. Implement the Common Catalogue and identify opportunities for further improvement**
- 2. Roll out the e-procurement platform to health services**
- 3. Implement a business intelligence dashboard to a pilot health service to assist with spend analysis.**

HPV Strategic Goal 5: Enhance capability and capacity

- 1. Develop and implement the HPV Strategic Plan for 2018-2022 in line with available resources.**

APPENDICES

Appendix 1: Health Purchasing Victoria's role under the *Health Services Act 1988*

Health Services Act 1988

Extract from Part 6 – Health Purchasing Victoria

131 Functions of HPV:

HPV has the following functions—

- (a) to supply or facilitate access to the supply of goods and services to public hospitals and other health or related services on best value terms;
- (b) in relation to the supply of goods and services to public hospitals and the management and disposal of goods by public hospitals—
 - (i) to develop, implement and review policies and practices to promote best value and probity; and
 - (ii) to provide advice, staff training and consultancy services;
- (c) to provide advice, staff training and consultancy services in relation to the supply of goods and services to, and the management and disposal of goods by, health or related services other than public hospitals;
- (d) to monitor compliance by public hospitals with purchasing policies and HPV directions and to report irregularities to the Minister;
- (e) to foster improvements in the use and application of purchasing systems and trading by electronic transactions by health or related services;
- (f) to establish and maintain a database of purchasing data of public hospitals and supply markets for access by public hospitals;
- (g) to ensure that probity is maintained in purchasing, tendering and contracting activities in public hospitals;
- (h) any other functions conferred on HPV by this or any other Act.

132 Powers of HPV

- (1) HPV has all the powers necessary to perform its functions.
- (2) Without limiting subsection (1), HPV may—
 - (a) enter into contracts or arrangements, including joint ventures, on its own behalf or on behalf of one or more health or related services;
 - (b) call and award tenders and advertise;
 - (c) give written directions to one or more public hospitals—
 - (i) relating to the purchase of goods and services by public hospitals and the management and disposal of goods by public hospitals;
 - (ii) to ensure that probity is maintained in purchasing, tendering and contracting activities;
 - (d) require the chief executive officer of a public hospital to audit compliance with purchasing policies and HPV directions and provide audit reports to HPV;

Appendix 2: HPV Strategic Activity 2018-2022

To demonstrate the inter-relationships and linkages between HPV's functional divisions to achieve HPV's Strategic Goals, specific activity is arranged in the following table by division:

- Procurement and Value Delivery
- Customer Engagement
- Finance, Risk and Governance
- Data and Systems
- People and Culture

Vision 2022	Strategic Goal 1: Deliver best value healthcare outcomes	Strategic Goal 2: Increase customer engagement	Strategic Goal 3: Support procurement and probity practice improvement	Strategic Goal 4: Improve the integrity and availability of information used to drive supply chain decisions	Strategic Goal 5: Enhance capability and capacity
Procurement and Value Delivery	Expand HPV's value under contract via collective procurement, shared procurement and cluster sourcing.	Improve engagement with clinicians, subject matter experts and other agencies to support delivery of category management initiatives through the contract lifecycle.	Ensure probity in all HPV sourcing events, including supporting fit-for-purpose probity processes in cluster and shared sourcing.	Support development and data integrity of the common catalogue through contracts and effective supplier management	Develop HPV's capability in strategic categories of greatest importance to health services.
	Increase return on investment across categories via strategic category management, including supply chain productivity, clinical outcomes and sustainability.	Collaborate closely with the Customer Engagement team to support improved communication in sourcing, contract transition and category management.			

Vision 2022	Strategic Goal 1: Deliver best value healthcare outcomes	Strategic Goal 2: Increase customer engagement	Strategic Goal 3: Support procurement and probity practice improvement	Strategic Goal 4: Improve the integrity and availability of information used to drive supply chain decisions	Strategic Goal 5: Enhance capability and capacity
	Streamline sourcing processes and data handling, particularly for transactional categories.				
	Review the HPV benefits reporting model to include diverse value drivers aligned to health service needs, including patient safety, clinical outcomes and cost sustainability.				
Customer Engagement	Work closely with metropolitan, regional and rural health partnerships to improve patient quality and safety outcomes, transition to HPV collective agreements and compliance to Health Purchasing Policies.				
	Assist Procurement with roll-out of strategy and clinical development.	Hybrid model – face-to-face and helpdesk customer support.	Assist Procurement with roll-out of strategy and clinical development.		
	Lead HPV to be customer-focused and built into HPV culture.				
	Health service interaction via HPV's Customer Relationship Manager account manager model.				
	Provide continuous feedback into HPV for improvement opportunities.				
	Health service communication streamlined via Chief Executive or CRMs.				

	Secondments occurring to and from health services.				
Finance Risk and Governance	Support procurement function through best practice governance framework.	Measure and report value proposition that HPV procurement provides health services.	Best practice governance framework to optimise procurement function.	Measure and report value proposition that HPV procurement provides health services.	Deliver best practice risk management framework to protect and safeguard HPV and health service assets.
Data and Systems	Develop a 'continuous improvement mindset' with a focus on automation and seamless processes.				
	Maintain a secure and operational environment.				
	Provide technology to extend our team members' ability to work flexibly and efficiently				
	Develop a data-driven culture, including roll-out of a health service reporting tool to allow them to analyse purchasing data.				
	Develop a Probity Audit report to make it easier for auditors to view available information.				
People and Culture	Develop capability in line with evolving priorities and initiatives.				
	Enhance stakeholder relationships to support effective implementation of HPV's strategic goals.				
	Equip HPV with the tools, messages and capability to enable HPV to communicate strategic goals and promote initiatives.				

Secondments in place to and from health services.

Position HPV to empower health services to deliver safe, affordable and sustainable healthcare.

Ensure effective legislative and procedural frameworks to support human resources compliance.

Develop our people to ensure ongoing availability of capable and motivated employees

Appendix 3: Achievements against HPV Strategic Plan 2012-2017

HPV has grown from a small team of 32 people with \$425 million under contract in 2012 to an organisation of more than 90 with \$915 million under contract and a significantly expanded scope of activity.

Highlights of the last five years include:

Strategic Goal 1: Increase the benefit to Victoria's health sector from the collective procurement of goods and services

- HPV has achieved a 49% increase in value under contract since 2012, taking the total to \$915 million at 30 June 2017.
- Health services have benefited from cost reductions totalling \$115 million over the 2012-17 period.
- Since 2013, HPV has granted 36 non-mandated entities access to its collective contracts within the scope of the *Health Services Act 1988*, expanding HPV's customer base to achieve greater benefits for Victoria's public health services.
- Enhancing contract efficiency and health service outcomes by working in partnership with health services to embed process improvements, such as through sourcing event optimisation targets.
- Since 2012, HPV has actively promoted Whole of Victorian Government contracts to health services, leveraging the value already provided by the State.
- At the request of the Minister for Health, HPV facilitated three Non-Emergency Patient Transport tenders – including replacement helicopters – on behalf of Ambulance Victoria.
- Activities such as embedding clinical engagement into HPV's sourcing processes contribute to improved patient care and better outcomes. In 2015, a HPV survey showed a 16% increase in new health service participation in HPV product reference groups.
- HPV supports health procurement 'best practice' across Australia through its establishment of an inter-jurisdictional forum to drive information sharing and increased collaboration.

Strategic Goal 2: Achieve economies of scale in equipment procurement

- HPV has leveraged US and UK health system models to establish a 'total cost of ownership' approach to its collective equipment procurement management and drive increased savings across the life of the equipment.
- Since 2014, HPV has achieved a total equipment purchase value under HPV contract of \$106 million, reflecting savings of almost \$9 million.

Strategic Goal 3: Drive measurable end-to-end supply chain efficiencies

- HPV developed information standards for a Victorian Catalogue Policy, approved by the Supply Chain Reform Project Board as a major program milestone.
- HPV facilitated increased understanding of health services' procurement profiles through its first health service spend data report, helping services to identify further savings opportunities.

- HPV implemented a number of 'quick win' initiatives including establishing rationalisation/optimisation targets within sourcing events to improve efficiency and health service outcomes.
- HPV has engaged 81% of the State (by spend) on an e-sourcing solution to support increased health service visibility of procurement activity.
- HPV is facilitating a regional health service partnership to demonstrate the benefits of procurement collaboration.

Strategic Goal 4: Support procurement and probity practice improvement

- HPV successfully established new Health Purchasing Policies in June 2014.
- HPV implemented a field support program in 2014 to assist health services, resulting in 100% of health services successfully transitioning to the new Health Purchasing Policies by 30 June 2016 to better deliver on HPV's statutory obligations under the *Health Services Act 1988*.
- HPV expanded this function to establish a dedicated customer engagement team in 2017 to support metropolitan and regional health services across Victoria as the foundation of its customer engagement strategy.
- HPV launched a new helpdesk in 2017 to enhance communication with health services and improve response times to health service queries.
- More than 350 health service employees have completed the HPV online probity training modules launched in September 2016.
- Implementation of a new audit framework and health service engagement to ensure compliance with purchasing policies as required by the *Health Services Act 1988*.

Strategic Goal 5: Improve the integrity and availability of the information used to drive supply chain decisions

- Promoted the rollout of a common e-procurement platform to facilitate greater health service visibility of procurement activity and improving their ability to consolidate and integrate data.
- HPV launched its existing website in 2014 to support secure access to information; a new website will be launched in 2018 to improve the site's functionality, navigability and user experience.
- In 2013, HPV implemented the Victorian Product Catalogue System synchronised to the National Product Catalogue as a major milestone towards a common catalogue, followed by system enhancements in 2014 to support continued high satisfaction ratings from health services.
- At 30 June 2017, HPV had secured Recall Health uptake of 78% for health services and 91% for suppliers, enabling a streamlined online response to product recalls.
- HPV facilitated the alignment of all Australian jurisdiction catalogues to a standard United Nations Products and Services Code.

Strategic Goal 6: Build capability and capacity

- Since 2012, HPV has established a robust and strategic human resources function to support the

employee life cycle and ongoing workforce growth. This function enhances HPV's compliance requirements and recruitment processes, and improves employee performance, engagement and satisfaction.

- In 2015, HPV improved its reporting transparency with a standard process for business plan and performance reporting, further enhancing it in 2016 by introducing a corporate scorecard.
- HPV strengthened its governance by introducing a new governance framework and automating its finance and risk functions.
- HPV has improved its communication approach and capability with an increased focus on stakeholder engagement. HPV's communication strategy focuses on enabling effective communication of strategic goals, and enhancing stakeholder engagement and internal capability.
- In 2015, HPV developed a data repository to enable reporting on all benefits delivered to health services; a new initiative in 2018 will enhance HPV's reporting outcomes by providing a more holistic mechanism reflecting both financial and non-financial benefits.
- HPV is improving its online communication capability by implementing new intranet and document management platforms compliant with Public Record Office of Victoria requirements.