

Health Purchasing Victoria Purchasing Policy



To give effect to the Patient Food Preparation and Distribution

Metropolitan Melbourne Strategy

Overview

1. Pursuant to section 134 of the *Health Services Act 1988* (Vic), Health Purchasing Victoria issues the following purchasing policy relating to the supply of pre-prepared patient food.

Definitions

2. In this proposed Policy:
 - a. "Act" means the *Health Services Act 1988* (Vic), as amended from time to time;
 - b. "CPU" means a central food production unit operated by Austin Health or Southern Health;
 - c. "Goods" means food supplied by a CPU;
 - d. "Health Services" means the public health services listed in **Attachment 1** of this Policy;
 - e. "HPV" means Health Purchasing Victoria; and
 - f. "policy" refers to the proposed Policy contained herein.

Interpretation

3. In this Policy a reference to a clause or an attachment is a reference to a clause or attachment of this Policy.

Commencement Date

4. This Policy applies from the date of publication in the Government Gazette (effective 29 November 2007).

Scope of this Policy

5. Subject to **clause 7**, this Policy applies to each of the public health services listed in **Attachment 1** to the extent set out in that Attachment.
6. This Policy applies to Austin Health and Southern Health to the extent that they are expressly referred to in this Policy.

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7. This Policy does not apply to a Health Service:
 - a. which is exempt from this Policy in accordance with section 134A of the Act; or
 - b. which is exempt from this Policy in accordance with **clause 9**; or
 - c. to the extent that the Health Service has a current contract in respect of the supply of the Goods.
8. For the avoidance of doubt, if a Health Service has a contract in respect of the supply of the Goods which is in force at the commencement of this Policy, the Health Service must comply with this Policy from the time that that contract ends.

Supply of Goods

9. To the extent that this Policy applies, each Health Service must obtain all of its required Goods from one or both CPUs unless the Health Service can establish to the reasonable satisfaction of the person holding the position of Director, Finance, Metropolitan Health and Aged Care Services Division of the Department of Human Services (howsoever named) or his/her nominee, why such a supply should not occur. Such reasons may include a reasonable belief by the Chief Executive Officer of the relevant Health Service that:
 - a. any pricing proposal(s) made by the CPUs (including any applicable transportation costs and risk loading charges) are non-competitive;
 - b. the quality standards of the CPUs are inadequate;
 - c. the receiving Health Service's facilities and/or infrastructure is inadequate to receive the Goods in the manner proposed to be supplied by the CPUs;
 - d. the CPUs lack the capacity to provide the required Goods in accordance with the terms and conditions referred to in **clause 12**; and/or
 - e. the supply of Goods from the CPUs will give rise to unacceptable staffing issues at the receiving Health Service.
10. Nothing in **clause 9** prevents a Health Service from contracting with a third party (whether it be another Health Service or otherwise) to receive, finish, plate and/or distribute Goods supplied by a CPU.
11. If a Health Service enters into a new contract for the supply of Goods from a third party (other than a CPU) after the commencement of this Policy and after obtaining approval from the Department of Human Services in accordance with **clause 9**, the Health Service must ensure that the period of that contract (including any option period) does not exceed 3 years.

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Food Services Agreements

12. The contractual terms and conditions of the supply of Goods by the CPUs to the Health Services must:
- a. be substantially in the form approved by Department of Human Services; and
 - b. be for a minimum period of 3 years, unless the parties to that contract otherwise agree.

Pricing

13. Subject to **clause 14**:
- a. Austin Health, Southern Health and Melbourne Health (for as long as Melbourne Health continues to supply the Goods to Health Services) must supply the Goods ordered by the Health Services for the prices determined in accordance with the costing formula(e) and model(s) released by the Department of Human Services from time to time; and
 - b. the Health Services must purchase the Goods from their contracted CPU on this basis.
14. A CPU and Health Service may agree to a price for the supply of the Goods which is less than the prices referred to in **clause 13**.

CPU Service Review Committee

15. Once a CPU starts to supply Goods to one or more Health Services under the terms of this Policy a Service Review Committee ('**SRC**') must be established by that CPU.
16. The SRC for a CPU is to comprise of:
- a. a representative of each Health Service who purchases Goods from that CPU; and
 - b. a representative of that CPU.
17. The purpose of the SRCs is to review the efficiency and operations of the CPU (including food quality and service standards).

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18. Members of each SRC are entitled to:

- a. have access to all financial and management information relating to the performance of the CPU which is a member of the SRC (nothing in this clause allows a Health Service to have access to the actual prices charged by a CPU in respect of the supply of Goods to another Health Service); and
- b. be fully informed of any operational or food quality issues relating to the CPU which is a member of the SRC.

CPU operating surpluses

19. Each CPU and Health Service which receives Goods from a CPU under the terms of this Policy is to share the benefit of any operating surplus directly attributable to the production kitchen operated by that CPU.
20. The Department of Human Services will determine the manner, method and timing by which operating surpluses are to be calculated and shared between the respective entities consistent with the Department of Human Services' Food Services Commercial Framework document including the maintenance of the 8% risk loading charges for the first 2 years of operation. The Health Services and the CPUs must abide by all such determinations.
21. For the avoidance of doubt, operating losses incurred as a result of operating a CPU will not be shared amongst Health Services who purchase Goods from that CPU, but will be the subject of discussions between the CPU and the Department of Human Services.

New contracts

22. Health Services must not enter into new contracts for the provision of Goods except in compliance with this Policy.

Contractual options

23. Health Services with current contracts for Goods must not exercise any option to renew or extend the term of that contract without the prior written consent of Department of Human Services.

Ongoing obligations

24. The obligations contained in this Policy continue until HPV otherwise declares by notice in writing.

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Attachment 1: Public Health Services to whom this proposed Policy shall apply

Name of Health Service	Application
Bayside Health	Policy applies to all sites
Eastern Health	Policy applies to all sites
Melbourne Health	Policy applies to all sites
Northern Health	Policy applies to all sites
Peninsula Health	Policy applies to all sites
Peter MacCallum Cancer Institute	Policy applies to all sites
The Royal Children's Hospital	Policy applies to all sites
The Royal Victorian Eye & Ear Hospital	Policy applies to all sites
The Royal Women's Hospital	Policy applies to all sites
Western Health	Policy applies to all sites