

Procurement league table 2018/19: a user guide

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The procurement league table assesses the relative performance of non-specialist NHS acute providers' procurement departments. It highlights opportunities for improvement and shows which providers are setting an example for others.

How can you use the league table?

You can identify areas of improvement by comparing how you rate against your peers, then use the Model Hospital to explore your procurement data further.

How was the procurement league table developed?

The procurement league table was developed with the Procurement Benchmarking and Analytics Working Group, whose members are procurement analysts and heads of procurement from a range of trusts.

The league table is derived from data available on the Model Hospital and reports on:

- process efficiency
- price performance.

Each aspect is rated individually and there is also an overall assessment. Each is equally weighted.

Process efficiency is measured based on three groups of metrics:

1) Purchase-to-pay process efficiency

- % transactions on e-catalogue
- % PO value on ePO
- % PO count on ePO
- % PO lines (count) through EDI
- % invoice lines (count) through EDI

2) People and organisation

- Procurement standards accreditation

3) Collaboration and benchmarking

- Weighted PPIB log-ins
- % non-pay spend on PO
- % benchmarked non-pay spend in PPIB (all confidence levels).

Price performance is measured based on five metrics from the Purchase Price Index and Benchmarking tool (PPIB). The metrics assess, in different ways, how good the trust is at getting the best prices for the products it buys.

These metrics are:

- % variance to NHS median
- % variance to NHS minimum
- % average T100 variance
- % average T500 variance
- % of products achieving best NHS price in T500.

The detailed weighting of the metrics is as follows:

Domain	Subdomain Metric	Proposed weighting
Price Performance		50%
PPIB Price Performance		
	% Variance to NHS median	7.5
	% Variance to NHS minimum	7.5
	% Average T100 Variance	10
	% Average T500 Variance	10
	% of products achieving best NHS price in T500	15
Process Effectiveness & Efficiency		50%
P2P Process Efficiency		
	% transactions on e-Catalogue (MH Metr.2)	5
	% PO value on ePO (MH Metr. 3a)	5
	% PO count on ePO (MH Metr. 3b)	5
	% PO lines (count) through EDI (MH Metr. 3c)	5
	% invoice lines (count) through EDI (MH Metr. 3d)	5
People & Organisation		10
	Procurement standards accreditation	10
Collaboration and benchmarking		15
	PPIB Logins (weighted by PO value)	5
	% Non-Pay Spend on PO	5
	% benchmarked non-pay spend in PPIB (all confidence levels)	5

Price performance

Price effectiveness is measured based on the prices trusts paid for goods ordered over the latest 12-month rolling period. Where a trust is the only purchaser of a product, these purchase order lines are not included in the metric calculation.

The price variance metrics are based on the positive opportunity to the median or lower quartile. Prices below the median are not included.

The metric calculation for the performance on the top 100 and top 500 products (sorted by expenditure), is based on the average of the variance to median and the variance to the lower quartile.

The detailed definitions are available on the Model Hospital by clicking on the information button against each metric.

Process efficiency

Process efficiency includes metrics relating to:

- [purchase-to-pay process efficiency](#)
- [people and organisation](#)
- [collaboration and benchmarking](#).

The Model Hospital reports the number of PPIB log-ins and the number of log-ins weighted by the value of purchase orders submitted for inclusion in PPIB.

The weighted log-ins figure is used in the league table to take account of the context in which PPIB is being used and provide more of a like-for-like comparison. Large trusts will see the weighted log-ins figure as a lower value to the actual log-ins, while for smaller trusts the opposite will be true.

The detailed definitions of these metrics are available on the Model Hospital by clicking on the information button against each metric.

What is the target savings' range?

There are savings that could be achieved if a provider trust were to buy all products at the national median price and greater savings if they were to buy at the national minimum price. This implies a target range of savings, with the median price being the least that would be expected and the minimum price being the ideal. However, the actual opportunity will lie somewhere between the minimum and the median price. As these numbers are derived from PPIB, and this accounts only for a proportion of total non-pay expenditure, an assumption is made about the unseen expenditure.

The methodology is explained below.

PPIB reports price comparisons from purchase order data. The value of purchase orders in PPIB is likely to be only a proportion of addressable non-pay expenditure. The reason for this may be that not all of trusts' non-pay expenditure is on a purchase order and the purchase order lines may not have all the required information (eg manufacturer's product code) to be suitable for price benchmarking.

Where prices for individual products are greater than the median or minimum, these variances are actual opportunities. Prices below the median are not considered except as an opportunity to the minimum price. However, the opportunity is only on the value of purchase orders 'seen' in PPIB.

The opportunity on the value of addressable non-pay expenditure not reported in PPIB – ie the value of expenditure ‘unseen’ – is estimated separately.

The combined opportunity is a range based on the variances to minimum and median prices in PPIB plus an estimate of the opportunity for the value of addressable non-pay expenditure not in PPIB.

The savings opportunity is calculated by:

1. Identifying the variance to minimum price (in £) and variance to median price (in £) over a 12-month period. This is the opportunity identified in PPIB.
2. The individual product and supplier-level opportunities are summed up to give a percentage variance to minimum and a percentage variance to median price for the value of purchase orders in PPIB.
3. The percentages calculated in Step 2 are multiplied by one-third and applied to the difference of:
 - [the value of addressable non-pay expenditure and the value of purchase orders in PPIB.](#)

These percentages are the opportunities on the value of expenditure not in PPIB.

The rationale for this is that where there is a service element, realising the opportunity may require waiting to the end of a three-year contract.

The implication is that price performance on products in PPIB is used to inform the opportunity on the expenditure not in PPIB. However, this opportunity is qualified by assuming that only a third could be realised in the current year, since anything with a service element may be subject to a three-year contract.

The upper value of the opportunity range is:

the percentage variance to minimum prices multiplied by the value of purchase orders in PPIB plus one-third of the percentage variance to minimum, multiplied by the value of addressable non-pay expenditure not in PPIB.

The lower value of the opportunity range is:

the percentage variance to median prices multiplied by the value of purchase orders in PPIB plus one-third of the percentage variance to median prices, multiplied by the value of addressable non-pay expenditure not in PPIB.

Worked example:

Trust Code	Trust Name	
XXX	Trust X	

Opportunity for spend in PPIB				
Spend in PPIB	Variance to Median Price	Variance to Minimum Price	Opportunity to Median Price	Opportunity to Minimum Price
£ 26,170,696	1.74%	9.98%	£ 456,436	£ 2,611,000

Addressable NonPay Spend
£ 98,758,000

Opportunity for spend not in PPIB (ie addressable non pay spend less spend in PPIB)				
Addressable NonPay Spend not in PPIB	1/3 of Variance to Median	1/3 of Variance to Minimum	Opportunity to Median	Opportunity to Minimum
£ 72,587,304	0.58%	3.33%	£ 421,992	£ 2,413,965

Total opportunity range	£ 878,427	£ 5,024,965
Average opportunity	£ 2,951,696	

What is the scope of the league table?

Currently, non-specialist acute NHS providers only.

What period does the league table cover and how does it differ from the previous league table?

The first version of the league table was based on data for the financial year 2016/17. We have updated it for 2017/18 and included more metrics; we also amended the weightings of the original metrics. We plan to update the league table regularly throughout the year.

The changes from the 2016/17 league table are shown below.

Changes to League Table Metrics

The procurement League Table has been under review by the Procurement Analytics and Benchmarking Working Group. Changes include:

- narrow the scope of Non-Pay to reflect addressable spend
- Adding new metrics
- Changes to metric weights

		2017 LT Metrics		2018 LT Metrics	
		weight	Description	weight	Description
KEY No change Metric added Metric scope changed		13	% Variance to NHS Median	7.5	% Variance to NHS Median
		9	% Variance to NHS Minimum	7.5	% Variance to NHS Minimum
		30	% Average variance to Top 100	10	% Average variance to Top 100
		40	% Non-Pay Spend on PPIB	10	% Average variance to Top 500
		8	Logins to PPIB	15	% products at best price (T500)
				5	% Non-Pay Spend on PPIB
				5	% Non-Pay Spend on PO
				5	Logins to PPIB weighted against PO spend
				25	Carter metrics
				10	Procurement Standards

Where will the procurement league table be published?

The league table will be published on the NHS Improvement and the My NHS websites. Both are available to the public. In addition, a more detailed version will be published on the Model Hospital, which is a digital portal of hospital metrics available only to staff who work for trusts.

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