

A quick guide to the procurement league table

November 2017

The procurement league table provides an assessment of the relative performance of procurement departments in non-specialist NHS acute providers. It highlights where there are opportunities for improvement and which providers are setting an example, helping others identify improvement opportunities.

How is the league table produced?

The league table is derived from nationally available data and reports on two aspects:

- process efficiency
- price performance.

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

The categories are:



Process efficiency

Process efficiency is measured based on the extent to which each provider uses national product price comparison information, available via an online tool called the purchase price index and benchmarking tool (PPIB – the national price comparison tool), to inform its decision-making about what products to order.

The two elements that make up the efficiency assessment are:

- the proportion of non-pay expenditure in the price comparison tool
- the number of times procurement staff at each provider trust have accessed the information in the tool.

The reasons for using these measures are:

- Each provider submits purchase order (PO) data for inclusion in the PPIB. The usability of the data depends on the inclusion of specific details such as the manufacturer's product code, a price and a quantity. If any of these elements are missing, or the purchase order is a blanket order for a number of products, the data will be rejected for price comparison purposes.

A significant factor, therefore, in measuring efficiency is the percentage of non-pay expenditure which makes it into the price comparison tool. This proportion is driven not only by the quality of the data, but also by the proportion of expenditure on a purchase order in the first place. Together these factors allow an assessment to be made about the efficiency of the procurement department.

- The second factor is whether providers are logging in and using the PPIB. While logging in is no guarantee that providers are using price information effectively, it does indicate the frequency with which providers are price checking. This element has a low weighting in the overall assessment but is nevertheless useful to indicate where providers are not being proactive about price checking.

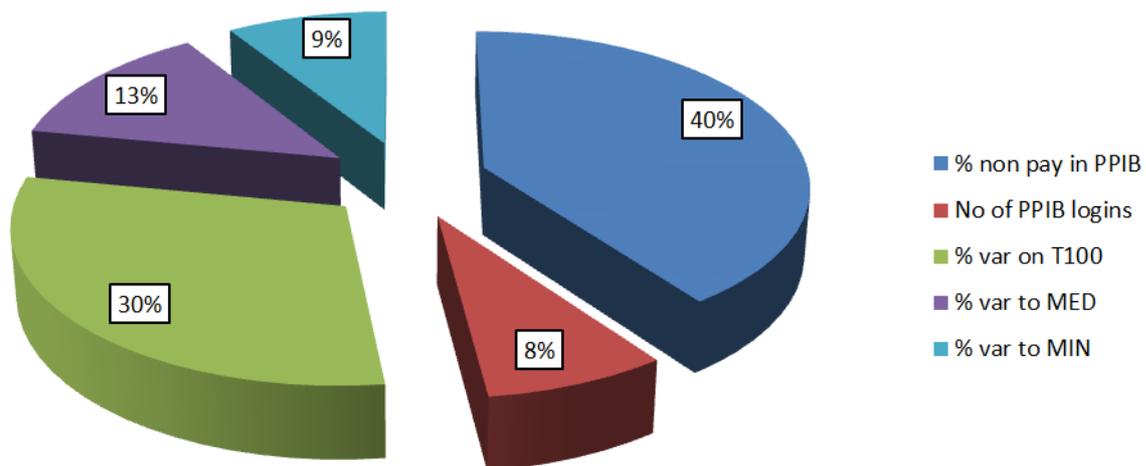
Price performance

Price performance is measured on the prices paid for the goods ordered. There are three definitive measures:

- the % saving if all goods had been purchased at the minimum price paid by any provider
- the % saving if all goods had been purchased at the median price paid by any provider
- the % saving if the provider's top 100 products, based on expenditure, had been purchased at the average of the median and minimum price.

Each of the five measures used in the assessment has a weighting (value according to importance). These are as follows:

Weightings of the five measures used in assessments



What is the saving target range?

There are savings that could be achieved if a provider were to buy all products at the national median price and savings that could be achieved if they were to buy at the national minimum price. This implies that there is a target range of savings with the median price being the least that would be expected and the minimum price being the ideal. Realistically the actual opportunity will lie somewhere between the saving to minimum and savings to median price.

As these numbers are derived from the national price comparison tool (PPIB), and this accounts only for a proportion of total non-pay expenditure, an assumption is made about the unseen expenditure based on the providers' overall ranking in the league table. The detailed methodology is explained more fully below.

What is the scope of the league table?

At the moment the scope is only non-specialist acute NHS providers.

What period does the league table cover?

The first version of the league table is based on data for the financial year 2016/17. From the beginning of 2018 the league table will be refreshed on a quarterly basis.

Where will it be published?

The league table will be published on the NHS Improvement and MyNHS websites;

<https://improvement.nhs.uk/resources/procurement-league-table/>
www.nhs.uk/service-search/performance-indicators/organisations/hospitals?resultsViewId=1015&metricGroupId=425&radius=400&locationId=0&isNationWide=True

Both of these are available to the public. A more detailed version is published on the Model Hospital, which is a digital portal of hospital metrics available to staff who work for NHS provider trust organisations.

What is the methodology for each metric?

Overall procurement process efficiency and price performance assessment

The overall process efficiency and price performance assessment is a combination of:

- the procurement process assessment: this measure shows how efficient an NHS provider is at procuring products compared to other NHS providers
- the price performance assessment: this measure shows how effective an NHS provider is at procuring products at the best prices.

The ratings are as follows:

- Below expectation: overall, there is scope to improve by paying lower prices for the products that the provider orders, and/or improve purchase price index, use of PPIB, and coverage and accuracy of PO data available for national price benchmarking.
- Meets expectation: overall, the prices the provider is paying are cost effective, and the PPIB use, the coverage and accuracy of PO data available for national price benchmarking is within the ideal range.
- Exceeds expectation: overall, the provider is securing better prices for the products it orders, and the PPIB use and the coverage and accuracy of PO data available for national price benchmarking are above the standard that can reasonably be expected.

Procurement process efficiency

The procurement process assessment is based on the provider's use of PPIB (measured in number of logins per annum) and the % of non-pay spend available in the tool. The latter is a measure of both PO coverage and the quality of PO data submitted. The ratings have been calibrated in consultation with an advisory group of heads of procurement to make a value judgment of the performance against these measures.

The ratings are as follows:

- Below expectation: there is scope to improve through greater use of PPIB, a greater proportion of spend on purchase order with greater accuracy and availability of product level detail. This usually includes providers that have up to 120 logins a year and up to 11% of their non-pay expenditure in the PPIB tool.
 - Meets expectation: PPIB use and the coverage and accuracy of PO data available for national price benchmarking is within the ideal range. This usually includes providers that have between 120 and 240 logins per annum, and between 11% and 14% of their non-pay spend that is available in the PPIB tool.
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- Exceeds expectation: PPIB use and the coverage and accuracy of PO data available for national price benchmarking is above the standard that can reasonably be expected. This usually includes providers that have more than 240 logins per annum and more than 14% of their non-pay expenditure is available in the PPIB tool.

Price performance

Price performance is assessed based on price variability as a % of expenditure in PPIB:

- compared to median and minimum prices paid by other NHS providers
- the provider's top 100 product lines sorted by expenditure (based on the average difference to median and minimum price paid by other providers).

The ratings have been calibrated in consultation with an advisory group of heads of procurement to make a value judgment of the performance against these measures.

The ratings are as follows:

- Below expectation: there is scope to pay lower prices for the products the provider orders. This usually includes providers that have greater than or equal to 8% of price variability on their top 100 product lines, greater than or equal to 2% of price variability to the median price paid by other providers, and/or greater than or equal to 9% of price variability to the minimum price paid by other providers.
- Meets expectation: the prices the provider is paying are cost effective. This usually includes providers that have between 6% and 8% of price variability on their top 100 product lines, between 1.5% and 2% of price variability to the median price, and/or between 7% and 9% of price variability to the minimum price paid by other providers.
- Exceeds expectation: the provider is securing better prices for the products it orders than would reasonably be expected. This usually includes providers that have less than 6% of price variability on their top 100 product lines, less than 1.5% of price variability to the median price, and/or less than 7% of price variability to the minimum price paid by other providers.

The procurement savings target

The savings target is an estimate based on a combination of:

- the opportunity identified in PPIB
- a notional savings percentage attributed to the value purchase orders not in PPIB (NB; PPIB rejects poor quality PO data unsuitable for price benchmarking, for example if price information or the manufacturer's product code is missing).

The savings opportunity is calculated by:

- The PPIB savings opportunity is calculated by summing the variance to minimum price (in £) and variance to median price (in £) over a 12-month period for all products.
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- The providers (a total of 136 acute trusts, not including specialist acute trusts) are ranked based on the overall process efficiency and price performance assessment. The best performing provider is assigned a rank of 1 and the lowest performing provider a rank of 136.
- The value of purchase orders not in PPIB is assigned a percentage on a scale according to league table ranging as follows:
 - providers ranked 1-34, the percentage is 1.5%
 - providers ranked 35-68, the percentage is 2.5%
 - providers ranked 69-102, the percentage is 3.5%
 - providers ranked 103-136, the percentage is 5%.

4) The figure obtained in step 3 is added to the variance to minimum and median (in £) figures in step (1) to obtain the estimated target savings range.

Please find a worked example below:

Provider A has non-pay expenditure of £220 million of which £100 million is on purchase order for the period April 2016 to March 2017. £15 million of the PO value makes it into PPIB, of which the opportunity identified for minimum and median price is £1.5 million and £0.5 million respectively. Provider A is ranked 56th based on the overall process and performance score.

So the calculation would be:

1) The opportunity identified in PPIB is between £0.5 million and £1.5 million.

2) The provider is ranked 56th.

3) The value of purchase orders not in PPIB (£100 million on PO - £15m in PPIB) = £85m which is not in PPIB.

As it is ranked 56th, a 2.5% notional target is applied to the value of purchase orders not in PPIB. So $£85m \times 2.5\% = £2.125m$.

4) This is added to the opportunity identified in PPIB, so the lower end of the range is $£0.5m + £2.125m = £2.625m$ and the higher end of the range is $£1.5m + £2.125m = £3.625m$.

So a provider with £220m non-pay expenditure should be able to save between £2.625m and £3.625m over a 12-month period.