

22 February 2011

Richmond House

Chief Executives

*by the Week*

Your Ref: Gateway reference 15564

Dear Chief Executive

**Subject: Do you know how much you are paying for clinical goods?**

Through consultation with NHS, we have found that there is a growing appetite for pricing information sharing on what individual trusts pay for their products. The DH National Procurement team as part of the National QIPP Procurement workstream has asked the Foundation Trust Network (FTN) to help explore how providers can be supported with better market information as a means of identifying why pricing differences occur.

The National QIPP Procurement Workstream has identified some of the lowest prices paid for a number of items chosen at random. How does your trust compare?

Supplier	Product No.	Description	Lowest unit price paid	Highest unit price paid	% Price Variance
LEICA MICROSYSTEMS (UK) LTD	DS9800	LEICA, BOND POLYMER REFINE DETECTION SYSTEM	£310.00	£1,200.00	287.10%
HUNTLEIGH HEALTHCARE LTD	DVT.10/E	BOOT, FLOWTRON, BOX OF 10 - DVT Prevention garment	£95.00	£203.00	113.68%
MEDTRONIC LTD	SEDR01	PACEMAKER, MEDTRONIC SENSIA DR DUAL CHAMBER SYSTEM, COMPLETE WITH MEDTRONIC 5054-58 LEADS,& MEDTRONIC 5554-52 LEADS	£1,000.00	£2,000.00	100.00%
LAUNCH DIAGNOSTICS LTD	616096	Helicobacter Pylori Antibody test - PREMIER TOXINS A + B.....CODE 616096	£225.00	£367.50	63.33%
HOSPITAL METALCRAFT LTD - BRISTOL MAID	ct1103s2l	Caretray Trolley - Single Column, 3 x 100mm, 2 x 160mm Trays - CT/110/3S 2L (NO Handles)	£284.68	£460.00	61.58%
HUNTLEIGH HEALTHCARE LTD	DVT20/E	MSSE - HUNTLEIGH HEALTHCARE, DVT GARMENT LARGE CALF - DVT Prevention garment	£140.00	£222.50	58.93%

Please note these prices include VAT

In addition, the FTN, in their most recent orthopaedic benchmarking project, have seen price variations of almost 90% for like-for-like knee replacement prosthetics and 80% for like-for-like hip replacement prosthetics.

A variety of factors influence the prices paid by trust, including lower volumes, historical prices based on older contracts or additional services such as research, development or bundled contracts which include additional services such as training. Whilst some trusts believe that they are getting the best price, there is evidence to show that this is not necessarily the case. In addition, trusts should not ignore the possibility that they may be paying different prices for the same product within the organisation and there is scope for making immediate savings simply by only paying the lowest.

The fact that we have an increasingly fragmented procurement landscape in the NHS makes it very difficult to compare prices, but the intention is that we will be able to provide more examples of where we have to capture lowest and highest prices across a range of products. Understanding what you pay and how this compares is the first step to being able to achieve savings in your organisations.

### **The Pricing Benchmarking Pilot**

The National Procurement team is considering asking volunteer trusts to take part in a pilot pricing benchmarking project, which would be carried out by the FTN.

In exchange for providing the prices that they paid for a small range of products Trusts would receive an individual report detailing how they compared with other members of this pilot. Whilst there would be an anonymised report more widely available to the NHS which would give an indication of the range of prices paid, it would not reference specific, named Trusts. The information provided would not be used for any other purpose. Annual usage of the product would need to be provided so that we can understand if the lower prices are based on higher volumes.

The purpose of this project is to start building a culture of transparency within the NHS that believes there is more to gain from sharing the prices that we pay than there is at risk. There are examples of trusts that have been told they are receiving the best price only to discover after benchmarking work that they are in fact paying one of the highest in the country.

We are keen to establish the level of potential interest in this pilot and also to find out if you think there are particular products that should be included. If you are interested in participating in the benchmarking pilot, please contact the FTN by emailing Liz Smith at [Liz.Smith@nhsconfed.org](mailto:Liz.Smith@nhsconfed.org) or Mitali Begum at [Mitali.begum@nhsconfed.org](mailto:Mitali.begum@nhsconfed.org) for further information.

In addition to this, the National QIPP Procurement Workstream has also produced a procurement diagnostic. This will help you immediately to identify where you may be able to strengthen procurement in your organisation with the aim of reducing your non-pay spend. The diagnostic will be available on the Department of Health website from 24<sup>th</sup> February 2011 at the following address

[http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_124556](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_124556) .

If you want to find out more about the QIPP Procurement Workstream or you have comments you would like to make please contact Beth Loudon at the Procurement, Investment and Commercial Division on [beth.loudon@cmu.nhs.uk](mailto:beth.loudon@cmu.nhs.uk) or on 07786 312387.

Kind Regards

A handwritten signature in grey ink, appearing to read "J. Easton".

Jim Easton  
National Director for Improvement and Efficiency