

Using the supply chain to support better care outcomes

Businesses are under constant pressure to make tighter budgets go further than ever. In this article, Tom Finch describes how re-examining a home's supply chain can not only help cut costs, but also aid during an inspection from the Care Quality Commission

Three of the five key Care Quality Commission (CQC) questions that are asked during an inspection have a fundamental link to the supply of goods and services into nursing and residential care homes. The three questions ask if services are safe, effective, and well-led, and all have a strong link to the financial performance of a home. Indeed, better management of what is bought, where it's bought from, who procures it and how it is procured, will all help the CQC answer these questions in a positive manner.

Duties owed by homes

Better management of goods and services in a care organisation goes beyond what is required by the CQC. Care home managers have a duty of care to both their patients and wider stakeholders (owners, funders and fee payers) to ensure that goods and services are delivered in the most cost-efficient and effective manner.

There are a number of benefits to a supply chain review which can directly support a care organisation in its interaction with the CQC. For example, buying better will invariably reduce cost. This can be done through better leverage of goods and services by consolidating volumes, or simply through better engagement and pressure on the market.

Getting to a position where this can be done is undoubtedly where the challenge lies. Access to reliable and up-to-date spend and contract data is essential—it helps management understand what is bought and where it is bought from. This data allows a care home to start categorising its spend, with the natural output being opportunities for strengthening leverage in the market.

There are specific category areas which lend themselves to this process, such as hygiene and medical consumables, and food and maintenance services. Because of the evolution of the market, providers in these areas now have a more diverse range of service offerings than in previous years. As such, there is now a much wider range of products and services from which a care home can choose, resulting in the opportunity for greater leverage and higher rebate opportunities.

Better engagement of the market can benefit a care organisation. Regular benchmarking or testing of current prices, even when in contract, can be a worthwhile exercise to ensure that the home's outlay is in line with the market price. In the scenario where in-contract pricing is out of line with the market, a discussion with the supplier should take place to clarify the differential, even if it does not lead directly to a lower price, due to the contract. Instead, additional benefits and added value may be offered by the supplier to accommodate for the difference.

Taking this scenario one step further, buying better also means ensuring that care homes have added flexibility in their contracts with suppliers. Benefits from this include the option to move pricing mid-contract (if benchmarking warrants this), or favourable exit clauses that allow care organisations to end a contract if service or quality is not at an acceptable level.

As a result, the relevance of both buying better and engaging the market more, as far as the CQC is concerned, is that from an organisational perspective it will free up valuable funds to be spent elsewhere, while ensuring services are delivered as effectively as possible.

Unfounded beliefs and better quality

The general belief that reviewing cost invariably leads to a reduction in quality is often unfounded; if managed correctly, a review of the supply chain will lead to both a reduction in cost and see increases in quality. Better buying will improve quality through a number of means. A well-managed supply chain review should examine both current and any new suppliers in terms of their level of risk to the home irrespective of what they supply. These risks

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can then be subsequently managed by strong contractual terms and service level agreements.

This thorough supply chain review will also realise better quality supplies through establishing lists of preferred suppliers, setting agreed specifications and the limiting of purchases to approved items. This purchasing strategy will restrict local buyers in their choice of product or service to those that have been fully assessed and approved. This, in turn, alleviates the risk of, for example, a home manager buying a mattress that is not fit for purpose from a local supplier, rather than a fully accredited medical mattress from an approved supplier. Capturing and restricting spend in this way also helps drive volumes through the chosen suppliers which, as noted earlier, will support the cost saving initiatives and reduce spend with non-approved suppliers.

Categories such as beds, mattresses, temporary agency workers, and hygiene consumables may well benefit from a full review of both the product and the supplier. The end result of this is a list of qualified suppliers which offer reduced costs while maintaining, and sometimes exceeding, quality. Being able to demonstrate the quality of these goods and services to the CQC will only help to support an inspection, while a consolidated supplier base will help the overall management and efficiency of operations within the organisation.

Strategic reviews

There is another positive outcome of any supply chain review—the evaluation and consolidation of current specifications within an organisation. A by-product of the robust categorisation of expenditure is the opportunity for management to segment categories based on their

strategic importance—namely where the category sits on a scale of business risk versus value. Mapping this could see categories organised by strategic priority (high risk and high value), strategic security (low value but high risk) and also tactical opportunity (high value and low risk). It is these that, in the first instance, can benefit from a specification consolidation and review—especially those prevalent in non-patient impacting areas.

Experience has shown that on the ground buyers and users, such as care home managers, have a tendency to buy a variety of different specification levels for the same product, either buying a gold standard when silver is more than sufficient, or under-specifying in certain areas. A supply chain review will offer the opportunity to consolidate these specifications, and examining the residents' needs in advance of this will help management assess the correct level for that service or product. For example, the ordering of different bread sizes, having multiple brand options on the same types of stationary, or contracting for varying numbers of planned preventative maintenance visits for different facilities can be very wasteful. Consolidation of specifications and requirements will invariably produce savings through the equalisation of the various options, and leveraging of volumes and spend with core products.

Effective management

A supply chain review, as well as focusing on cost and quality, will also deliver other additional benefits which address the third of the CQC's questions—that of effective management. A review will deliver increased efficiencies around buying the right products from the right suppliers, with an overall reduction in the number of suppliers

engaged by the organisation. This reduction will help foster better relationships with fewer suppliers, which can often result in better service, a better understanding of the home's needs, and greater access to more innovation and improvements to the goods and services provided. A consolidation of suppliers and the overall review of procurement strategy can also help streamline internal processes and functions, allowing valuable resource time to be allocated elsewhere.

While procurement and the supply chain is often a secondary thought in the delivery of care services, its role as a support function should not be overlooked—especially in the underlying impact it can have on CQC reviews. Ultimately, a well-run supply chain review will identify and deliver sustainable cost savings that will unlock funds that can then be redirected into providing better care to patients. For example, reducing the cost of main contractor refurbishment activity through a schedule of works and a rate review process could be the difference between refurbishing and improving five homes, rather than four. As to how the review should be completed, the received wisdom is through the short-term use of external advisors who both have the expertise and, more importantly, the capacity to undertake the task.

Key points

- Better management of goods and services in a care organisation goes beyond what is required by the CQC
- If managed correctly, a review of the supply chain will lead to both a reduction in cost and see increases in quality
- A thorough supply chain review will realise better quality supplies through establishing lists of preferred suppliers
- Homes would be best advised to use external consultants to review their purchasing processes

Conclusion

A supply chain review will ensure that as well as buying better, a home will deliver a more efficient service. This will lead to tangible cost savings, such as reduced transaction costs, but also better internal governance of suppliers and the quality delivered to the organisation and patients. And in contemplation of the three key CQC questions concerning safety, effectiveness and well-led organisations, a supply chain review must surely be the way forward for any and every hard-pressed home struggling to meet expectations, while fighting both rising costs and falling income. **NRC**



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