John Singer Illustrations

Building better buying

Consolidation empowers Fraser Health purchasing

by Jeff Jedras

When British Columbia's Fraser Health Authority was created in December 2001 through the amalgamation of three smaller health authorities, the organization faced some difficult challenges: how to take three separate entities, with their own suppliers, staff, products and procurement processes, and make them one seamless unit.

With more than 1.44 million people to serve from Burnaby to Boston Bar in BC's lower mainland and a mixture of urban and rural centers, not to mention over 20,000 employees, geography was certainly no help.

David Dawson, director of materials management for Fraser Health, says that based on organizational change, it can take as long as eight to ten years to reorganize an organization as large as the health authority, which was still unsettled by the 1996 reorganization launched by the former government. "So we're reorganizing organizations that themselves had not yet settled; they were working on changes," says Dawson.

The authority has 12 acute care hospitals across the region, and Dawson says the first thing they did was to consolidate their purchasing and group their buying power. They are also looking at consolidating warehousing and logistics, and have implemented a model that supports competitive bidding and the *Agreement on Internal Trade*.

"We're very strategic in our approach to standardizing our products and our contracts," says Dawson.

Where before different authorities – even within the same region – might use a number of different products for the same job. By standardizing or leveling to one product across the larger region, Fraser Health has seen an increase in buying power and costs much lower then they could get previously, even on provincial-level bids.

Dawson says they've gained excellent leverage from standardizing. "When you standardize your products, your processes and your methods become standardized as well," he says. "You have less variation; your costs to deliver surgery and care to patients are reduced because your training costs are simplified and your support for maintenance and equipment repair is also simplified."

The savings are proving substantial. Over the lifespan of outsourcing contracts, typically five to ten years, Dawson says they've already realized $70 million in savings. On supplies alone they've saved $15 million, and while capital equipment is hard to measure because spending fluctu-

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ates based on funding, he says in some cases they've achieved 50 to 60 percent savings. "It's an incredible reduction, because we had good prices before," says Dawson.

Undertaking such a major change, both organizationally and philosophically, can be difficult for the various stakeholders if not managed properly. With staff, suppliers and the people they serve, Dawson says they have been working hard to keep everyone 'in the loop.'

Suppliers had to radically realign their approach. Previously they were used to dealing with a number of different procurement people for each of the old regions and, with such a large geographic area, may have had a number of sales people. With the amalgamation, Dawson says Fraser Health provided a single point of contact and wanted one sales rep from each supplier to deal with.

"We wanted them to realize if we standardize there could be impacts on commission rates and things like that. We've kept them in the information loop as to what we were doing."

Dawson says Fraser Health is also making extensive use of electronic trading and e-procurement, estimating that about 80 percent of their vendors has some sort of electronic system for ordering. They are also considering a pilot project to look further at e-procurement.

While electronic trading isn't a requirement for bidders, Dawson says it does help. "We do assess higher weighting in our awards to suppliers that provide that electronic interconnection," he says.

For a staff still adjusting to the 1996 reorganization, the 2001 amalgamation served to create further anxiety. Dawson says the staff is kept informed throughout the process about the changes and the reasons behind them, and when there have been staff reductions they're explained. The changes also freed up frontline medical workers for patient care. For example, materiel management staff are at each hospital to handle stock replenishment on the floor, as needed. "A few years ago it was nurses that did that, so that's why we like our model," says Dawson. "Our staff is doing it, making sure the stock is always there, and the nurses have more time to spend with the patients."

While restocking will still happen at the hospital level, ordering and warehousing will be consolidated to a single warehouse entity, which could mean further staff reductions. "We've engaged a consultant to look with us at the warehouse, and [help us] determine whether this is the best practice model for us," says Dawson. "The consultant [comes] with their visibility in other health authorities across North America, some experience in Europe, and also [their knowledge of] what the private sector is doing."

Two of the former health districts that made up Fraser Health had central warehouses so Dawson says they have some experience with the model. As well, he says the health authority in London, Ontario has had good success with a central warehouse.

Another possibility the study is looking at is whether outsourcing warehousing might make more sense and provide a lower-cost alternative. "We will have to assess what information comes back," says Dawson.

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