

# *Maximising Benefits through Cost Reduction Strategies – SingHealth Group Procurement Office*

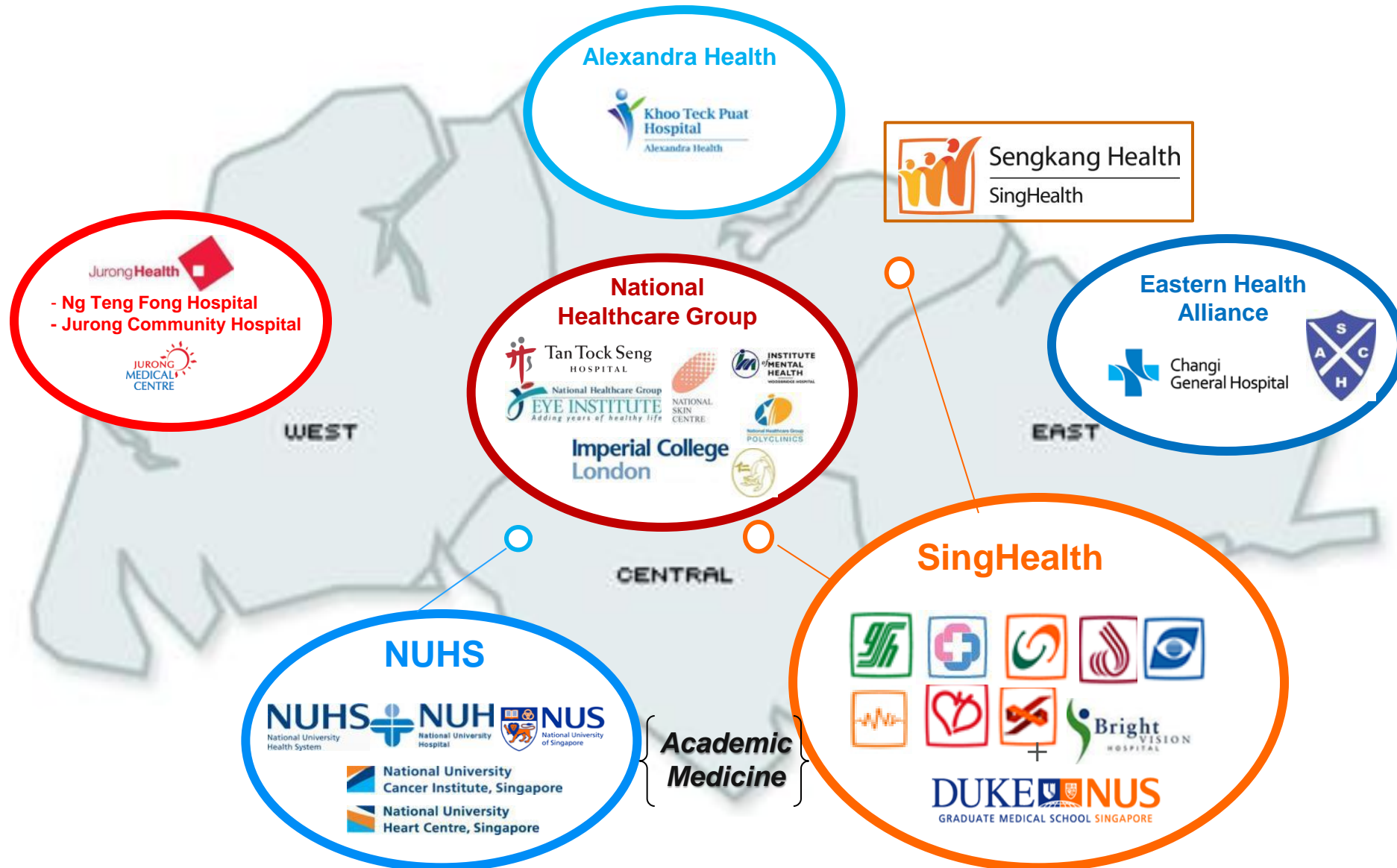
Lok Mun Leng  
Deputy Director, Strategic Procurement, SingHealth



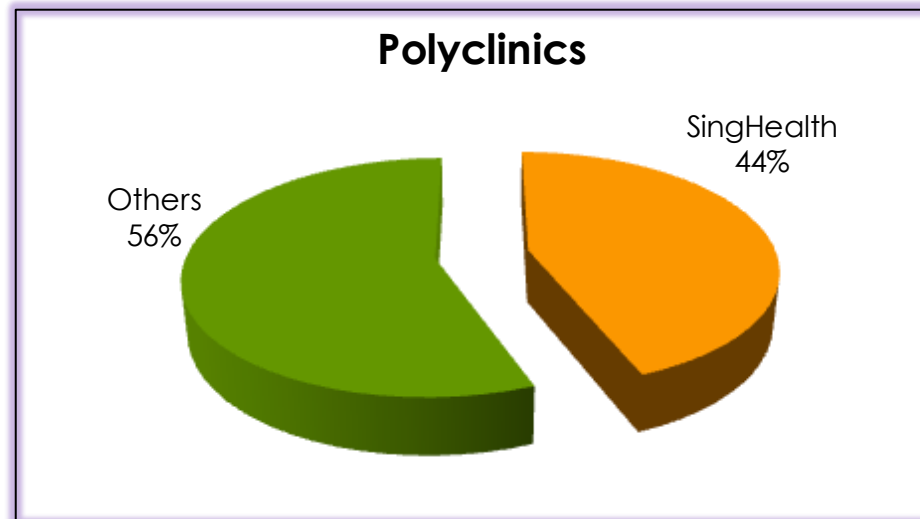
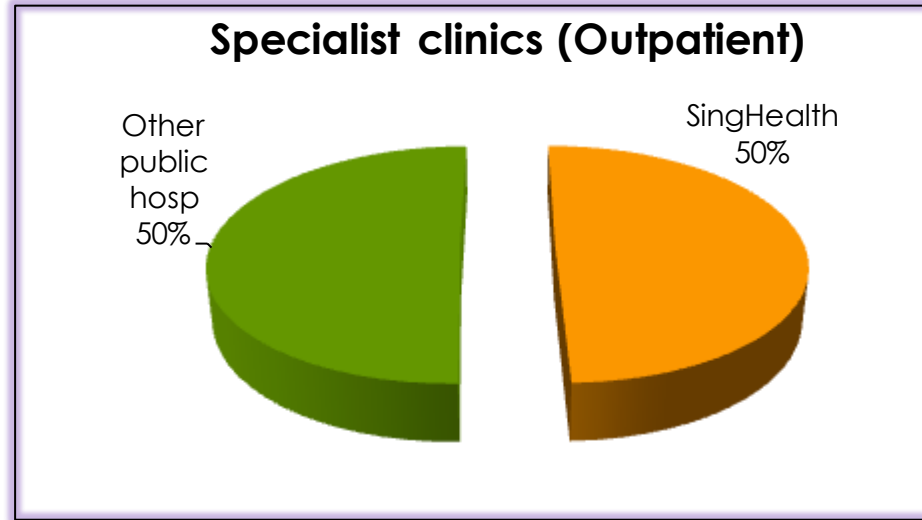
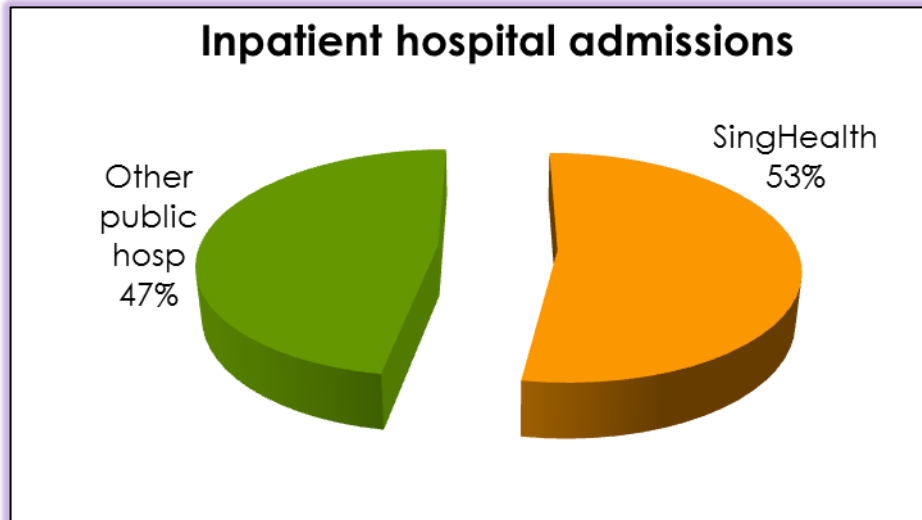
# About SingHealth



# Public Healthcare Delivery Network



# SingHealth - Contribution to Singapore Public Healthcare



# SingHealth

## 2 hospitals

- Singapore General Hospital (SGH)
- KK Women's and Children's Hospital (KKH)

## 5 national specialty centres

- National Cancer Centre Singapore
- National Dental Centre Singapore
- National Heart Centre Singapore
- National Neuroscience Institute
- Singapore National Eye Centre

## Network of

## 9 Primary Care polyclinics

## 1 Community Hospital

**Affiliate medical school co-located on SGH Campus**  
**Duke-NUS Graduate Medical School**



# SingHealth Institutions



 Singapore General Hospital  
SingHealth



 KK Women's and Children's Hospital  
SingHealth



 National Cancer Centre Singapore  
SingHealth



 National Dental Centre Singapore  
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 National Heart Centre Singapore  
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 National Neuroscience Institute  
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 Singapore National Eye Centre



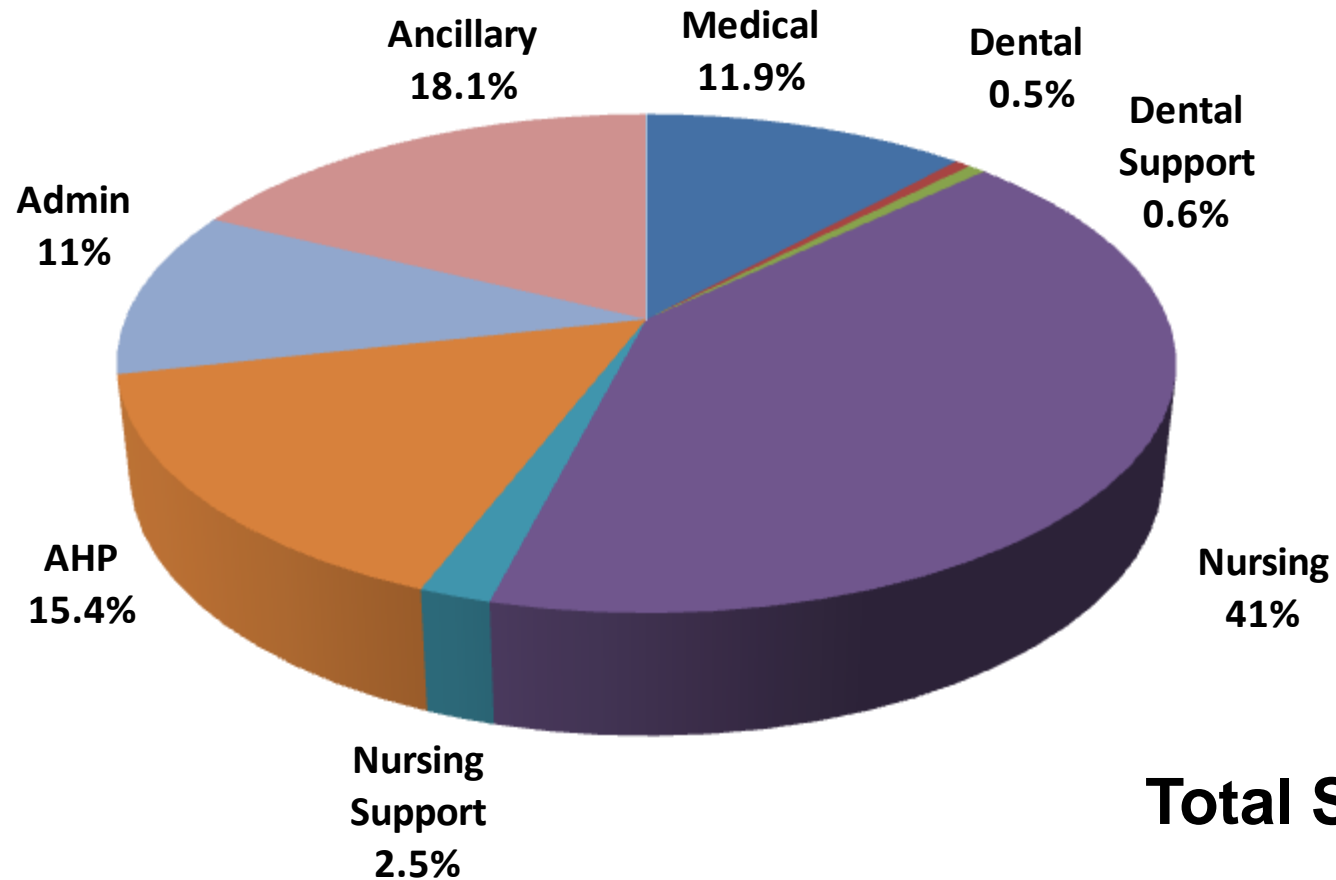
 Polyclinics  
SingHealth

# SingHealth



- Complete range of multi-disciplinary and integrated medical care, with 42 specialities
- Wholly owned by the government
- Receives an annual government subvention or subsidy
- Not-for-profit organisation
- Subjected to broad policy guidance by the Government
- All the institutions are Joint Commission International (JCI) accredited, (Singapore accounts for a third of all JCI-accredited facilities in Asia).

# SingHealth Group



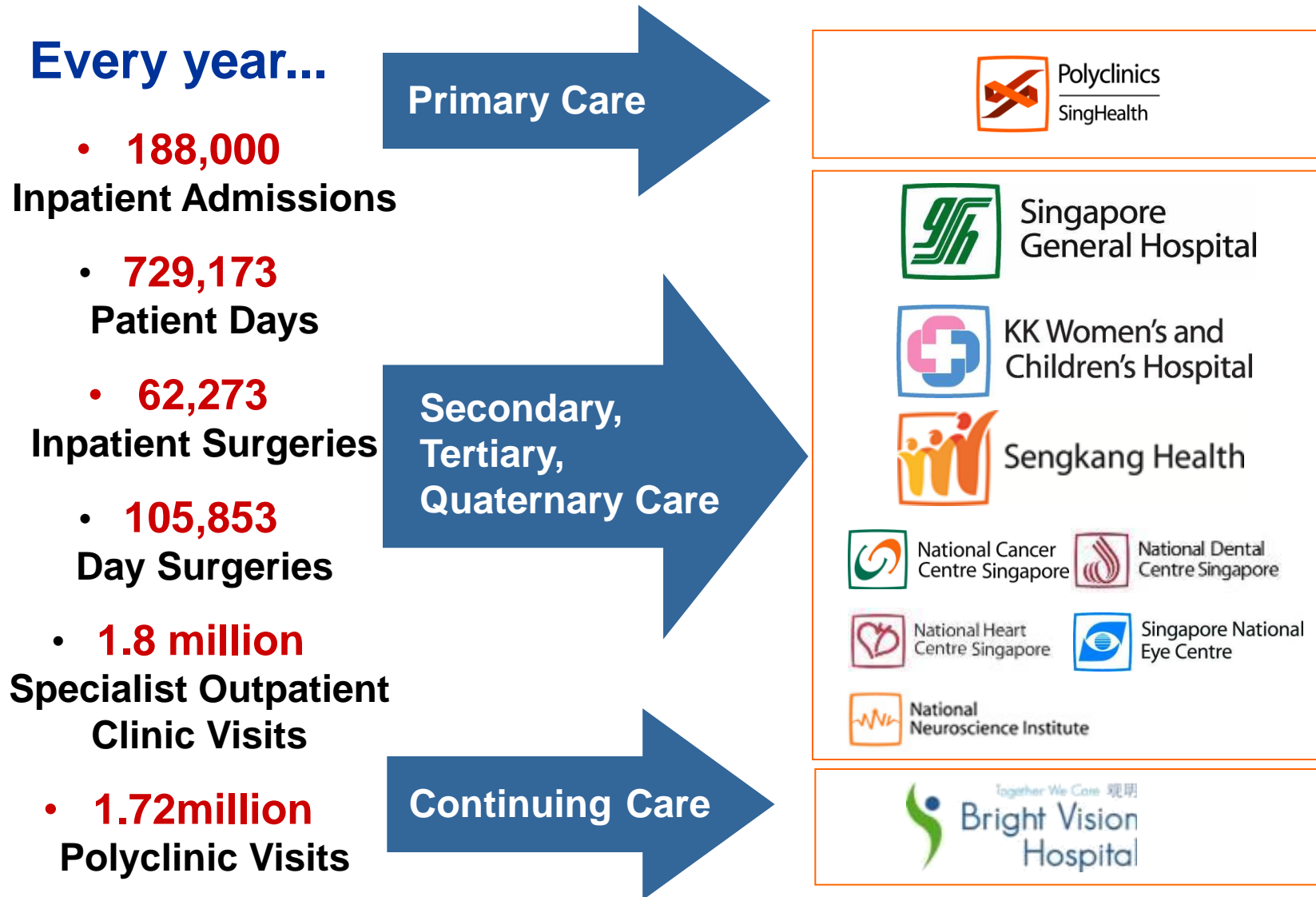
**Total Staff Strength  
~19000**

Sources taken from SingHealth Annual Report FY 2012





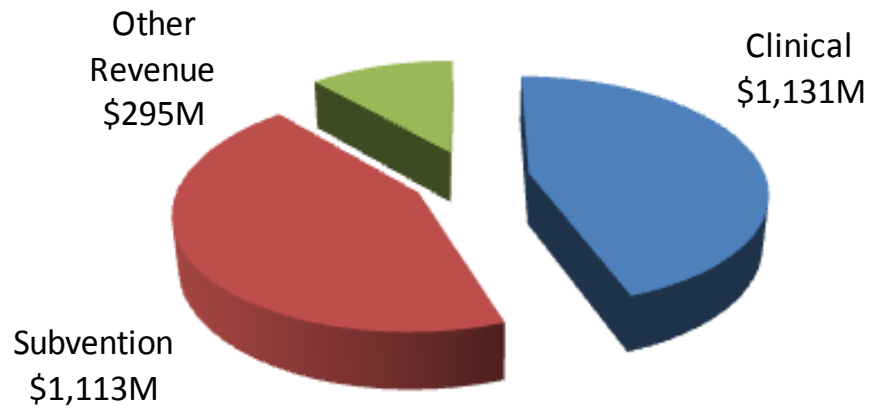
# Full Continuum of Care provided by SingHealth



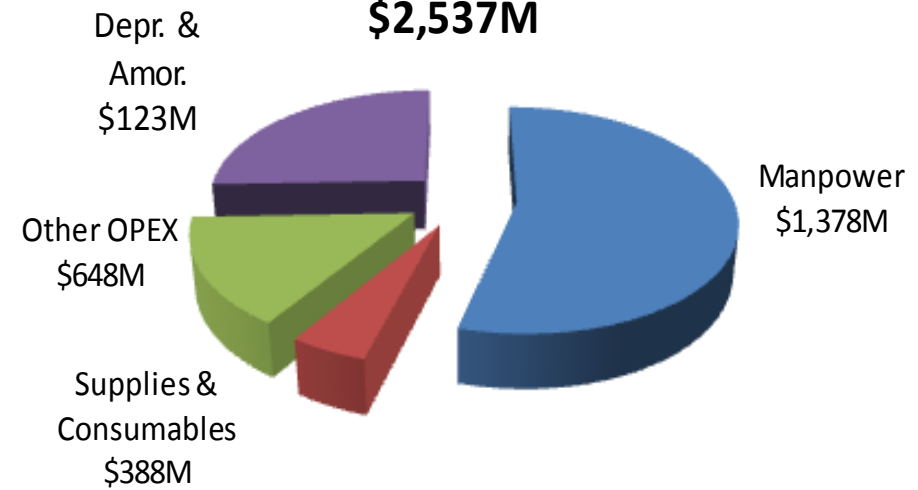
# SingHealth – Statistics

All Units in SGD

### Revenue Breakdown by Major Categories \$2,539M



### Expenditure by Major Categories \$2,537M



# Group Procurement Office (GPO)



# Group Procurement Office



## Vision

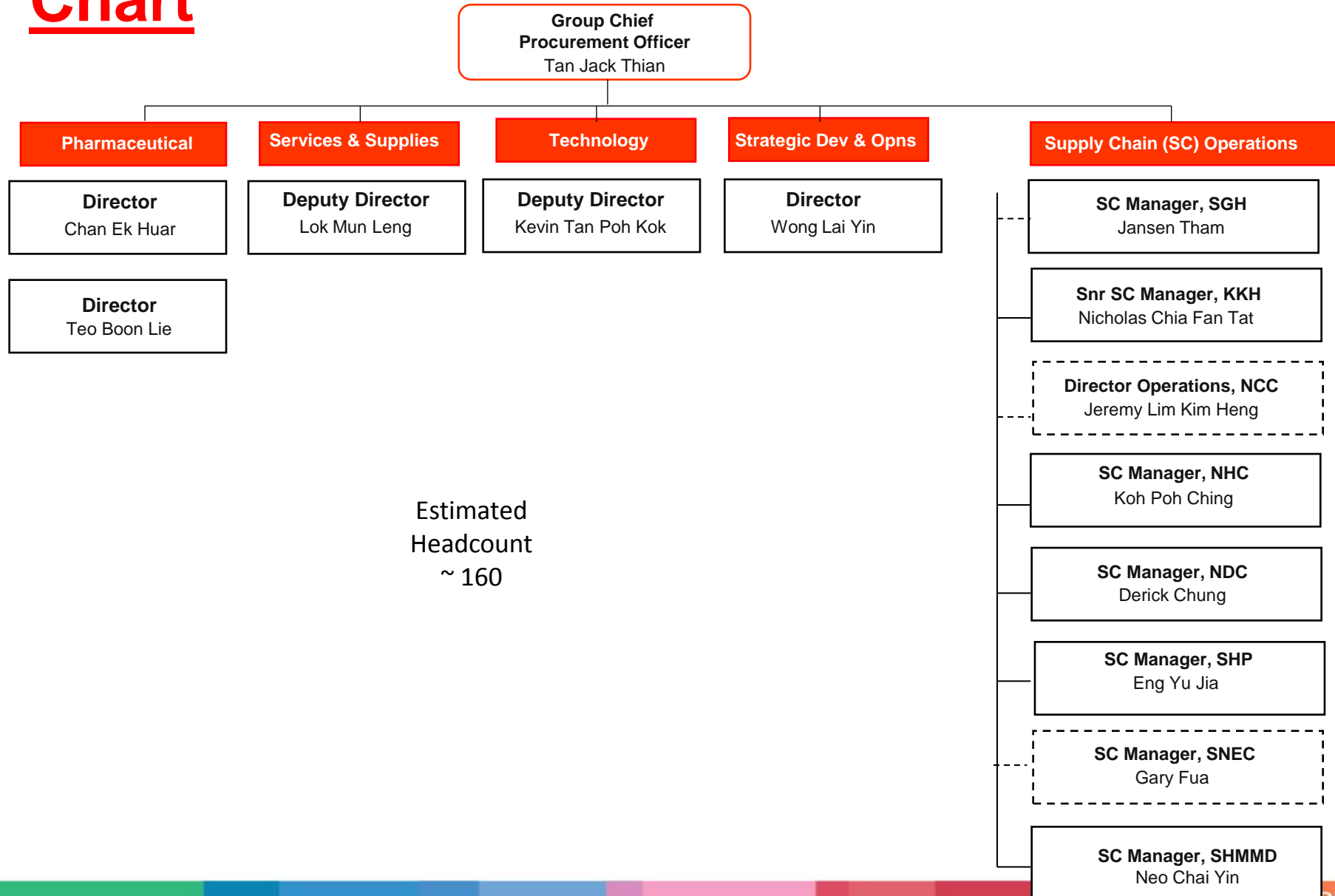
**To be the key driver of cost management and operational excellence in the healthcare supply chain**

## Mission

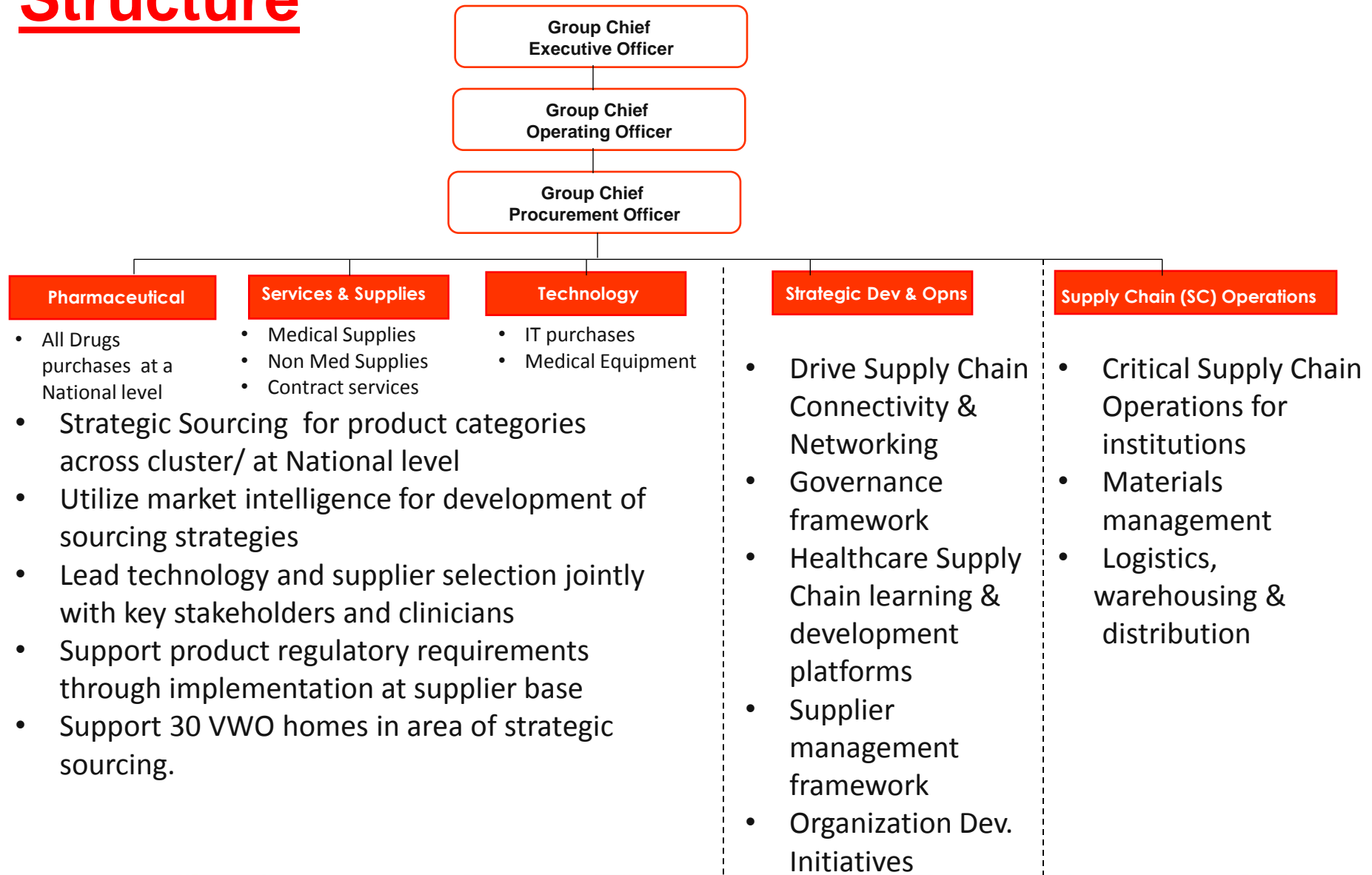
**Reduction of TCO in technology, supplies & services through:**

- **Innovation & thought leadership**
- **External collaborations**
- **Stakeholders engagement**

# Group Procurement Office Organization Chart



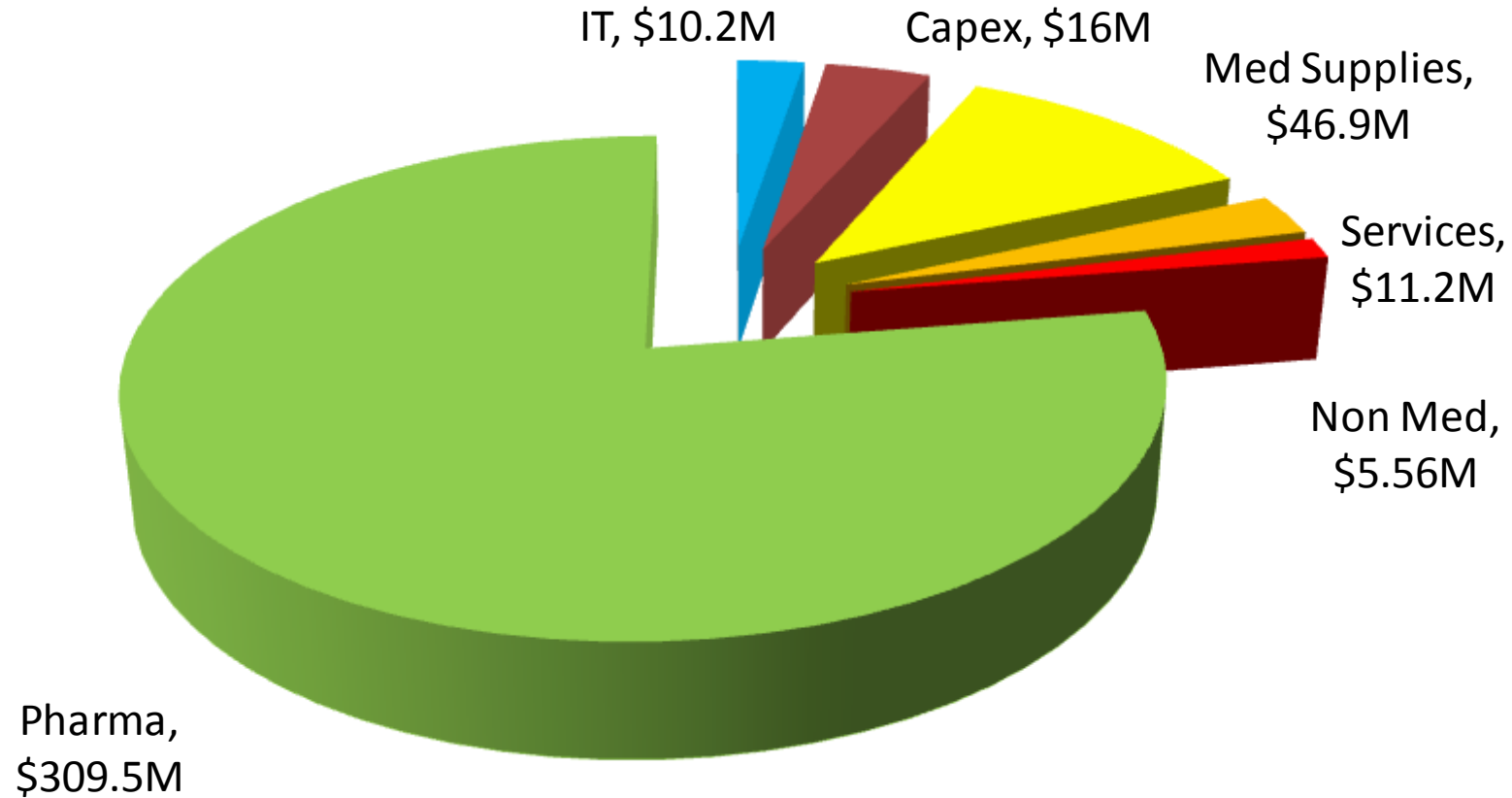
# Group Procurement Office Organization Structure



# Actual Spend – FY13

Managed through GPO

## Actual Spend - S\$399M (FY2013)



# Group Procurement Office – Our Charter



Strategic Sourcing

Operational excellence :  
•hospital materials mgmt  
•warehousing & distributions



Healthcare SC  
leadership &  
People  
Development

SC  
Infrastructure  
networking &  
connectivity





# Strategic Sourcing



# Category Management

## SUPPLIES



## SERVICES



## TECHNOLOGY



# Strategic Sourcing

- Completed integration of Institution MMD teams to SingHealth GPO
  - Group Contracts
  - Consolidated Purchases
  - Common products
- Leading efforts across public healthcare clusters, maximizing volume efficiency
- Managing cost :
  - Reduce expenses
  - Cost Savings
- Working w Users
  - Common products

# Strategic Sourcing - GPO's Role in SingHealth

GPO exists because we help to create value for SingHealth by reducing the total cost of ownership through strategic sourcing. GPO's critical success factors lie in

- ✓ senior management support
- ✓ active engagement of clinician and nursing champions as well as institution buyers
- ✓ regular dialogue sessions with strategic suppliers
- ✓ maintenance of good rapport with internal departments at corporate office to ensure adequate internal controls, good corporate governance.
- ✓ continuous learning and adopting innovative approach

# Importance of Active Engagement with End-users to Ensure the Best and Safest Products Acquired

Lancets (needle for making small incision at finger tip to draw blood)

## Before GPO

17 different brands from 7 vendors  
\$34 to \$48 per box

## After GPO

2 brands from 2 vendors  
Better safety feature incorporated

\$20 per box

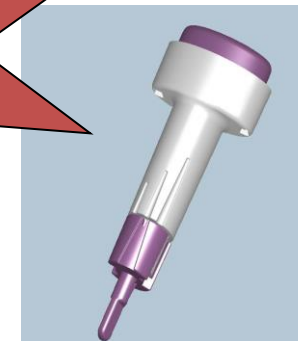
Saves > 26% (\$170,000) over 2 years

Old



Senior Clinicians,  
Nurses and  
Administrators  
Appointed Champions  
for Categories

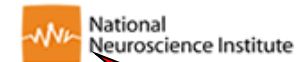
New



# Another Example: STANDARDISATION OF WIPES

## Rationalise .. Standardise .. Streamline ..

- Joint procurement among 12 institutions from all public hospitals – leverage on group volume
- Wipes reduced from 20 to 6 items - save storage space
- Vendors reduced from 21 to 4 - less documentation for deliveries
- Savings >16% - improve bottom line



Total Savings  
for both clusters  
>\$120,000



## Another Example: Procurement of Stationeries

By partnering with key suppliers, GPO helps to improve operational process

### Stationeries / Forms

- Cheaper - 12% in cost savings
- Easier – 24 x 7 web-ordering system
- Faster - Delivery within 48 hours from vendor to users
- Better – create more storage space for critical medical supplies
- Easier - only 1 supplier for office stationeries

Before  
Vendor



Hospital  
Warehouse



7 days

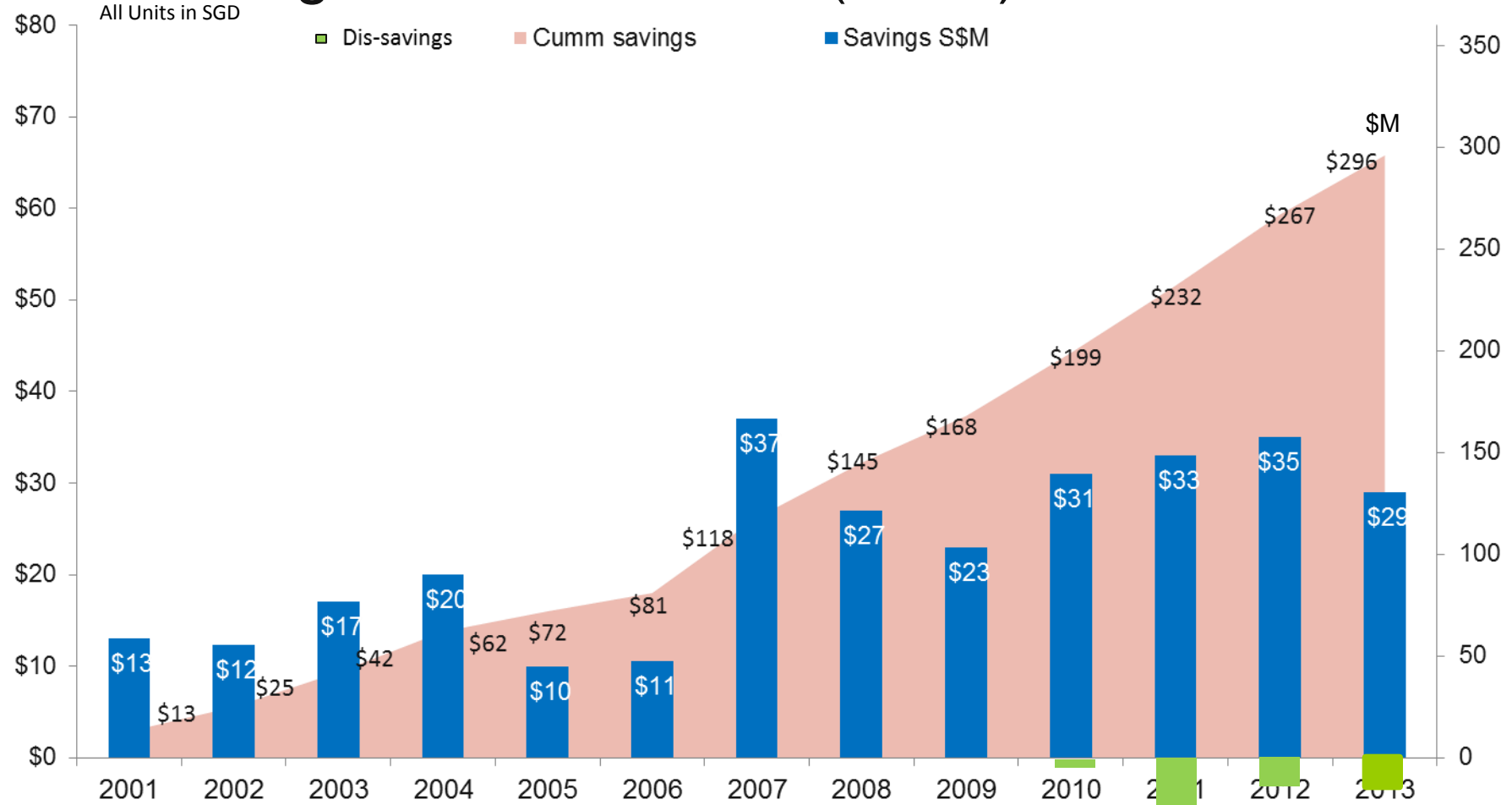
After  
Vendor



2 days

Users

# GPO Savings –Year-On-Year (FY13)



Threshold	Target	Stretch
3%	4%	5%

Ttl Sav @ % Spend	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	14.4%	11.1%	15.2%	11.0%	5.2%	3.4%	13.4%	8.2%	6.9%	10.7%	10.2%	7.6%	5.8%



# Supply Chain Leadership

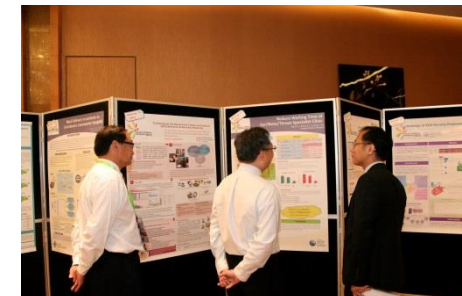


# Our People

- Singapore Healthcare Management



- **3 congresses in 1**
  - 3 day of conferences
  - 1 day of site visits
  - Poster competition – 7 categories
- **> 700 attendees:**
  - Singapore - All public healthcare clusters & private institutions
  - Overseas –Asia-Pacific, USA, Europe, M East
- **Objectives of the Congress :**
  - Learning & sharing platform for healthcare administrators, across the region
  - Profiling SingHealth Administrators as leading healthcare administrator in Singapore



# Talent Management and Development



- Developed GPO Career Tracks and Competency Development model
- Formalised long term career framework with specialist tracks
- Job rotation for GPO staff
- International Staff Exchange/Attachment Program
- Development of curriculum for Healthcare Procurement/Supply Chain Professionals

# Career Track by Job Category for Non-Managers

Job Grade	Procurement	Supply Chain	Logistics	Administration*
17			Created Specialist Tracks for Career Advancement	
16	Snr Procurement Specialist	Snr Supply Chain Specialist		
15	Procurement Specialist	Supply Chain Specialist		
14	Snr Procurement Executive	Snr Supply Chain Executive	Snr Logistics Executive	Snr Administrative Executive
13				
12	Procurement Executive	Supply Chain Executive	Logistics Executive	Administrative Executive
11				
10	Snr Procurement Associate		Snr Logistics Associate	Snr Administrative Assistant
9	Procurement Associate		Logistics Associate	Administrative Assistant
8				
7				
6	Materials Mgmt Clerk		Logistics Assistant	

\*Administrative Track is Corporate Track managed by HR

# Supply Chain Infrastructure



# eSupply Chain

## Purpose of eSupply Chain

- Maximize efficiencies and process savings, with a standardized procurement platform
  - Make the purchasing function easier and guided for staff
  - Ensure adherence to probity, ethics and business controls
- Enhance patient safety through track & trace
  - Utilize data standards for external benchmarking & product tracking
- Enable business intelligence framework
  - Single-instance , real-time operating environment

**Estimated Total Cost of \$17-20M**

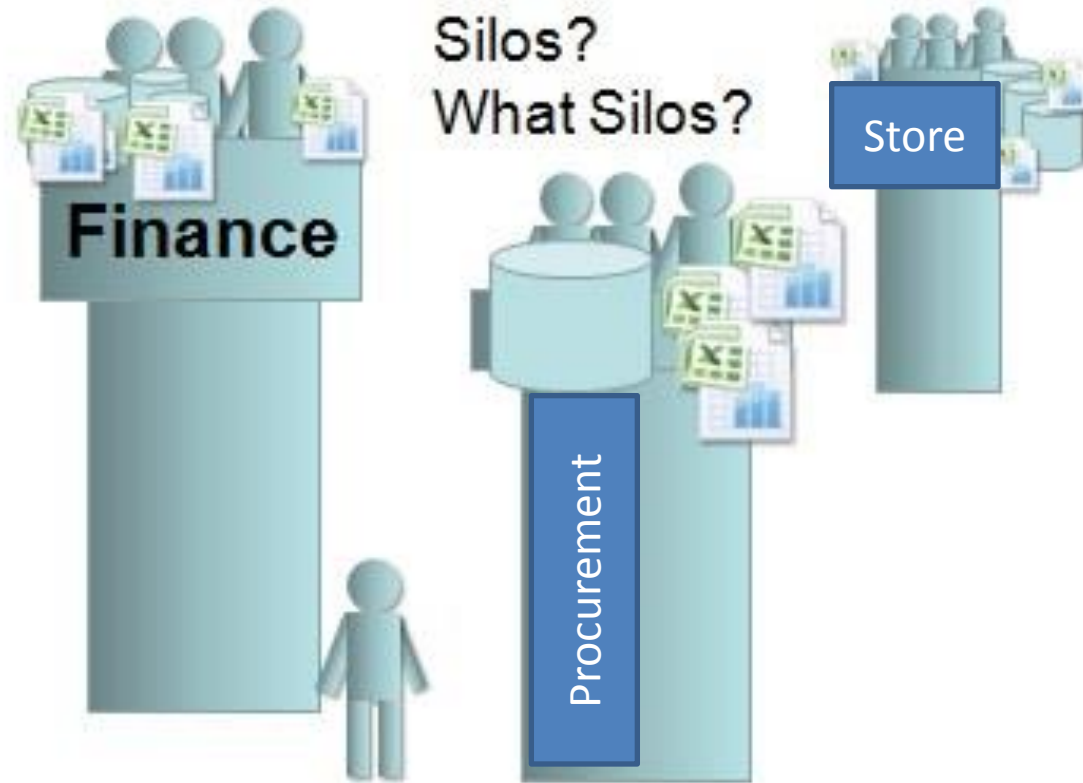
# eSupply Chain

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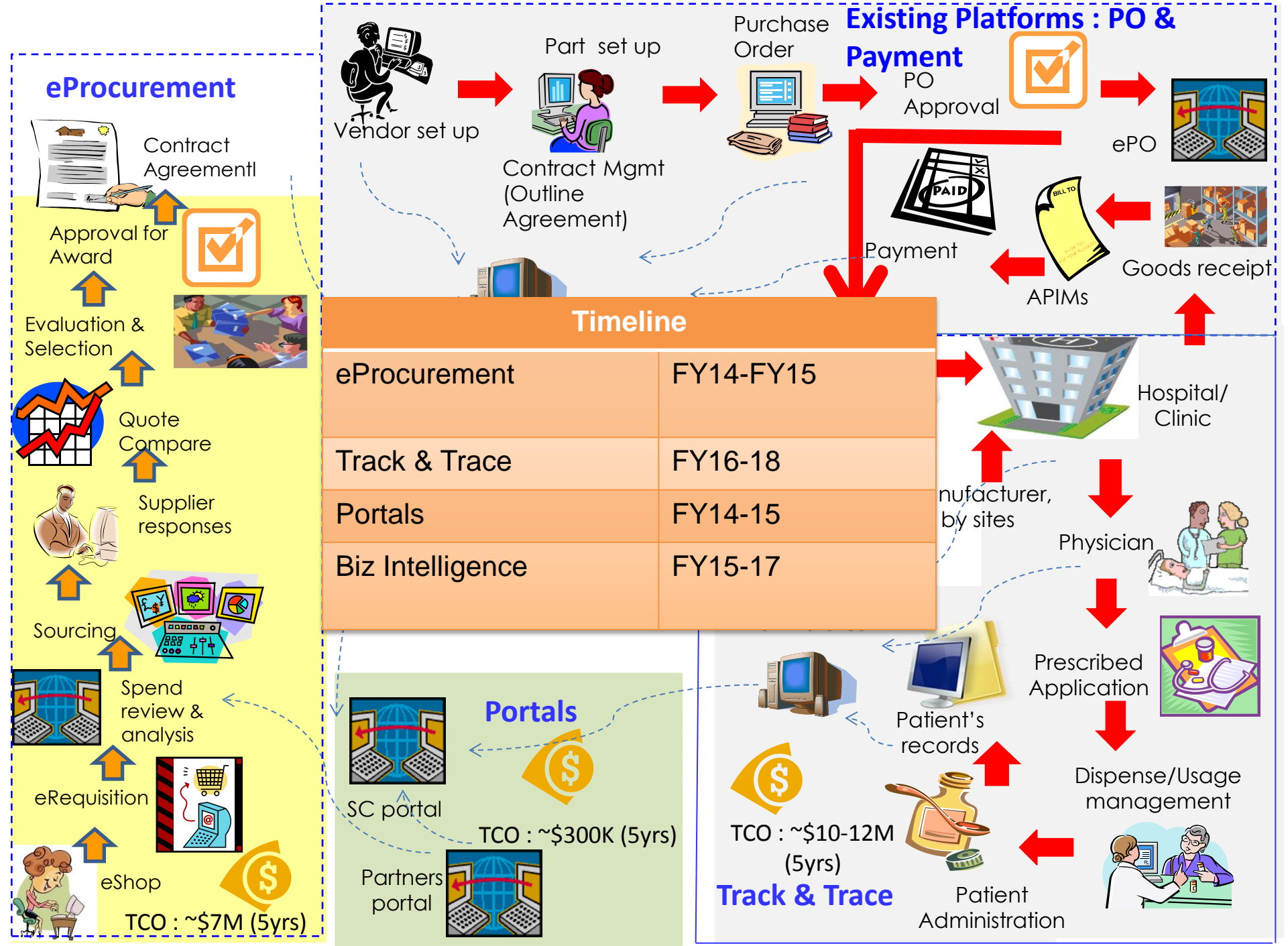
**Estimated Total Cost of \$17-20M**

# eSupply Chain



Remove the silos & blindspots





# Operational Excellence



# GPO FY2013 KPIs

KPI Term	Definition/Formula	Q1 Performance								
1. Cost Management	<ul style="list-style-type: none"> <li>\$ savings as % of annual spend</li> <li>\$ savings / annual spend, aggregated quarterly</li> </ul>	<table border="1"> <thead> <tr> <th>Threshold</th> <th>Target</th> <th>Stretch</th> </tr> </thead> <tbody> <tr> <td>3%</td> <td>4%</td> <td>5%</td> </tr> </tbody> </table>	Threshold	Target	Stretch	3%	4%	5%	<b>FY13YTD</b>	<b>: 5.8%</b>
Threshold	Target	Stretch								
3%	4%	5%								
		•Q1 : 4.7%, Q2 : 8.7%, Q3 : 2.7%, Q4 : 6.7%								
2. Timeliness of Sourcing Events	<ul style="list-style-type: none"> <li>Completion of sourcing events within planned milestone (% of times we met committed service level)</li> <li># of contracts(events) completed/ # contracts (events) planned within period, aggregated quarterly</li> </ul>	<table border="1"> <thead> <tr> <th>Threshold</th> <th>Target</th> <th>Stretch</th> </tr> </thead> <tbody> <tr> <td>75%</td> <td>80%</td> <td>85%</td> </tr> </tbody> </table>	Threshold	Target	Stretch	75%	80%	85%	<b>FY13</b>	<b>:83%</b>
Threshold	Target	Stretch								
75%	80%	85%								
		•Q1 : 83.0%, Q2 : 82%, Q3 : 82%, Q4 : 83%								
3. Availability	<ul style="list-style-type: none"> <li>Incidences of stock out or unavailability (supplier and/or demand management)</li> <li># of backorders/ total demand requests, aggregated quarterly</li> </ul>	<table border="1"> <thead> <tr> <th>Threshold</th> <th>Target</th> <th>Stretch</th> </tr> </thead> <tbody> <tr> <td>2%</td> <td>1%</td> <td>0%</td> </tr> </tbody> </table>	Threshold	Target	Stretch	2%	1%	0%	<b>FY13</b>	<b>:1.45%</b>
Threshold	Target	Stretch								
2%	1%	0%								
		•Q1 : 1.5%, Q2 : 1.3%, Q3 : 1.3%, Q4 : 1.4%								

# GPO FY2013 KPIs

KPI Term	Definition/Formula	Q1 Performance						
4. ERM Key Risk Mitigation Reviews	<ul style="list-style-type: none"> <li>The number of new ERM Key Risk Mitigation (KRM) reviews undertaken with recommendations endorsed by Management., aggregated annually</li> </ul>	Threshold	Target	Stretch	<table border="1"> <tr> <td>1</td> <td>2</td> <td>3</td> </tr> </table> <ul style="list-style-type: none"> <li>Completed 3 KRM for FY13</li> </ul>	1	2	3
1	2	3						
5. SC Organizational Development	<ul style="list-style-type: none"> <li>Participation in regional/international SC programs/awards which includes SC Congress, International Exchange Programs, Supplier Visits incorporating learning, Attachment programs, Supplier forum.</li> <li># of events completed, aggregated annually</li> </ul>	Threshold	Target	Stretch	<table border="1"> <tr> <td>2</td> <td>3</td> <td>4</td> </tr> </table> <ul style="list-style-type: none"> <li>Q1 : 1, Q2 : 6, Q3 : 3, Q4 : 1</li> </ul>	2	3	4
2	3	4						
6. Retention Rate of "High Performers"	<ul style="list-style-type: none"> <li>Attract, develop and retain performing staff</li> <li># High Performers – (# High Performers Resigned)<sub>YTD</sub></li> </ul>	Threshold	Target	Stretch	<table border="1"> <tr> <td>45</td> <td>48</td> <td>50</td> </tr> </table> <ul style="list-style-type: none"> <li>Q1 : 53, Q2 : 53, Q3 : 53, Q4 : 52</li> </ul>	45	48	50
45	48	50						

# Role of Group Procurement Office (GPO)



# Principles of Procurement

- **Competition** – competition brings down price in the long term
- **Maximising benefits to the business** –tangibles & intangibles
- **Good faith** – need to have actual need to buy before initiating procurement
- **Professionalism** – honor our contracts and hold high moral grounds
- **Transparency**

# Evaluation based on Total Cost of Ownership (TCO)

- All direct and indirect costs associated with an asset or acquisition over its entire life cycle.
- Traditional evaluation consideration: evaluate item with the lowest capital cost....
- Need to consider other costs eg future maintenance contract cost, spare parts cost etc.
- Therefore, evaluation based on TCO



Thank you

