

BETTER PROCUREMENT: IT'S ALL ABOUT MANAGING TECHNOLOGY

Using and managing some of the latest technological developments, such as e-procurement and e-auctions was the theme of the Procurement and Distribution Interest Group of the Guild of Healthcare Pharmacists' autumn symposium held in Coventry on 3 November. Rachel Graham reports

Web-based platforms can help pharmacy procurement staff re-engineer the way they order, according to George Gannon, pharmacy operations manager for University College Hospital NHS Foundation Trust, London.

Mr Gannon set out how data from the Legacy pharmacy system can be projected onto a web site so that it can be more easily managed. Legacy systems (in common with other pharmacy computers) are able to store a considerable amount of useful data, he said, but are just not good at processing it. Posting the appropriate information onto a web-site allows the supplier and customer to view the same information. The status of orders can be easily assessed and, because part-dispatched orders are highlighted, information about product lines with potential supply-chain problems is available promptly. In addition, the web-based platform enables mistakes to be identified readily and provides a suitable arena for the staff who receive goods into a pharmacy department to record problems, such as missing or damaged products. It could be a faster and less expensive approach to develop Legacy pharmacy computer systems to support this type of web platform than to change such systems to enable e-procurement. Messaging services and the web platforms can combine to reduce the cost of messaging currently provided by value-added networks.

Mr Gannon explained that the web-based platform was developed as part of an ongoing project to produce the key performance indicators (KPIs), described by the supply chain performance project group (see later), from the various and disparate pharmacy computer systems. Further work on the KPI data is to be undertaken with the help of £1,500 prize money from the Guild of Healthcare Pharmacists' "Innovators in pharmacologistics" 2004 award that Mr Gannon received at the meeting.

MESSAGE SERVICE APPROACH

Ms Graham is staff editor at Hospital Pharmacist



George Gannon (centre), winner of the 2004 Guild of Healthcare Pharmacists' "Innovation in pharmacologistics" award with GHP president, Tony West (right) and Howard Tebby, commercial development manager at Pfizer Ltd, sponsors of the award.

Closure of the modem-based NHS X400 service provided the impetus for using the internet to carry out e-trading, according to Roy MacDonald, managing director at Tescol Ltd. The idea is to create a service where orders placed on a pharmacy computer system can be translated electronically so that they can be received and read by suppliers' systems. The process is then reversed for invoices. Recent developments include the provision of an order confirmation message from suppliers and the ability to track orders by accessing the suppliers' website from the messaging service. About 32 hospitals and 94 suppliers currently use the service, with approximately 465 trading messages being produced each day, Mr MacDonald said.

Challenges include making sure that those using all types of pharmacy computer systems (many of which were created before e-commerce became a reality) can access the service. In addition, producing electronic invoices is difficult on most existing pharmacy computer systems, he said.

The initial work on the service was sponsored by the NHS Purchasing and Supply Agency, Mr MacDonald explained, but the steering group is widening to include other stakeholders.

Developing a "hub and satellite" concept, and linking with other supply-chain management systems, such as AAH's Medecator, are also technical possibilities, Mr MacDon-

ald added. Achieving the ultimate aim of having all secondary care NHS trusts e-trading needs a "we culture, as against a me, culture," he concluded.

KEY PERFORMANCE INDICATORS

Agreeing KPIs with product suppliers will form the bedrock of the remodeling of ordering systems, Kevan Wind, London and Eastern Region Procurement Specialist told delegates. In order to do this, the supply chain performance project group, produced a list of 200 initial suggestions, reducing these to 64 with the help of suppliers and other interested parties such as PaSA. "Service"-related (as opposed to "stock"- or "action"-related) KPIs accounted for 55 of these, suggesting that there is a real need to focus on this aspect. Five main KPIs (Panel 1) were then agreed, Mr Wind said.

Panel 1: Main KPIs

- On time in full
- Percentage of invoices matched first time
- Documentation complete and present
- Stock turn
- Timeliness of payment

A list of the other 61 chosen KPIs is available from www.pdig.org

National contracting brought challenges for us all

New national procedures to award contracts for certain generic drugs in hospitals brought challenges for all of those involved (particularly as a result of the “ferocious timetable”), but generally worked well, was the main message from Howard Stokoe, principal pharmacist at the NHS Purchasing and Supply Agency (PaSA).

Explaining the outcome of the supply chain excellence programme in more detail, Mr Stokoe said that contracts for all the product lines in tender 1 (ie, the e-auction tender) had been awarded. Cost savings for the NHS were produced, Mr Stokoe said. For suppliers, using a reverse e-auction provided a high degree of price visibility, which is particularly useful given that EU rules prevent post-contract negotiation. From a PaSA perspective, there is interest in repeating the process in the future, he said.

For tender 2 (some other oral generic drugs), contracts for “virtually all” product lines were awarded. There seemed to be more business awarded to suppliers with control over product manufacturers, Mr Stokoe pointed out. For tender 3 (generic injectable products) there were more issues, with contracts for several lines not being awarded. Some of the issues related to products that have recently come off patent, he said.

Useful data has also been produced from the new contracting system, Mr Stokoe continued. The data collected automatically from trusts’ systems allows an improved estimation of procurement volumes to be made and the system seems to be easier for staff to use than a paper-based one, he said. Suppliers had some issues with completing the electronic requests for information (e-RFI), but realising the full potential of this system will be “key to supporting procurement planning and understanding supplier capacity”, he said. There was input from the National Patient Safety Agency during the adjudication stage.



ROSENFELD IMAGES / SPL

Money was saved by using the new contracting procedures, including reverse e-auctions, PaSA says

Completing the tendering for “near patent” drugs and having more involvement with organisations such as the Association of the British Pharmaceutical Industry and the British Generics Manufacturers Association are among the next steps in the process, Mr Stokoe explained. Improvements in information technology and in the PHATE (pharmacy tendering evaluation) system are needed and streamlining the e-RFI and e-RFP (request for price) documents should also be carried out. Outcomes from the supply chain performance project, which include recommendations about aspects of best practice (see below) and which key performance indicators (see p473) to use will also be taken into account in future contract rounds, Mr Stokoe said. There are ongoing discussions about including branded products in the national contracts system, he added.

— SUPPLIERS’ PERSPECTIVE

Problems generally outweighed the benefits of the new national contracting system from a suppliers perspective, Derek Brown, commercial director of Pliva told delegates. A considerable amount of work was needed to fill in the e-RFI and e-RFPs, and supplying much of the information

seemed unnecessary, Mr Brown said. For example, the e-RFP, prices for three years were asked for but, as far as Mr Brown is aware, no contracts of that duration were awarded. There was also poor information provided on the size of the individual lots for which suppliers were bidding, he suggested.

Moreover, Mr Brown could not see how the new rules would result in long-term cost savings, because they essentially prevent new generic products from being launched at any time other than near the end of the one year contractual period. “This reduces competition and restricts the number of suppliers”, he explained. There are also potential knock-on effects for prices in the non-hospital market, he added. Advantages of the new contracting system include that there seemed to be more dialogue between suppliers and PaSA, he said. In addition, a good degree of price visibility meant that information about competitors’ pricing policies was obtained. However, despite these benefits, Mr Brown concluded that the new national contracting system is a process that has been poorly thought out by people who do not fully understand the pharmaceuticals market — PaSA are implementers of the process, not initiators, he pointed out.

Best practices from the supply chain performance project

Identifying the best practices in hospital supply chain management can be difficult, according to Steve Athey, chief pharmacist at York Health Services NHS Trust and part of the supply chain performance outcomes project team. This is because of the large differences between, for example, the size of pharmacy stores and the pharmacy computer systems used.

Despite this, there are some key concepts that should be incorporated into practice, he said. In particular, better use of IT needs to be made by both suppliers and hospitals. Interactive e-ordering should be used and

all products should be bar coded, with their expiry date and batch number logged on arrival.

Another key issue is invoicing, Mr Athey continued. It does not make sense to have staff based in hospital finance departments using pharmacy computer systems to process invoices for pharmacy goods. Ideally, pharmacy staff should be carrying out the procedure. If finance staff will not “let go” of such tasks, then they should, at least, process them themselves in the pharmacy department to avoid delays, he said. If this is done, and providing suppliers’ provide invoices

with the goods, payment will be prompt, he said.

Although “day 1 for day 2” ordering remains unrealistic for much of the supply chain, pharmacy staff should be aiming for a four to seven day lead time, he said, not the four to seven weeks, or even months, that can currently exist, he said.

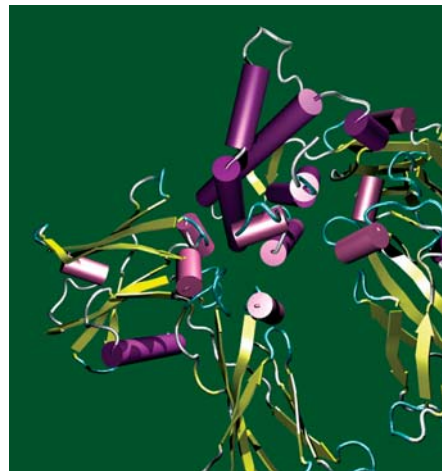
More information

Copies of the slides for this and other talks given at the meeting are available from www.pdig.org

How will biosimilar drugs fit into the supply chain?

With several biopharmaceutical products having either recently come off patent, or being due to do so in the next few years, some “biosimilars” (ie, “generic” versions of biopharmaceutical products) are likely to be developed, according to Iman Barilero, associate director, European and Global regulatory affairs and quality assurance at Johnson and Johnson.

Biosimilars present different issues for regulatory authorities than generic versions of pharmaceuticals Dr Barilero explained. For example, proteins and other biological entities are larger and more complex than conventional drug molecules. The starting materials used to make them, such as cell banks, are also different. In addition, the manufacturing process has a particularly large influence over the quality of the product because it can effect, for example, the way the protein is folded. There are also limitations on the methods that are currently available to characterise proteins, she added. Moreover, issues about immunogenicity, some of which are associated with a product and others with a particular patient’s reaction to a product, can affect its safety and efficacy.



Structure of erythropoietin — how proteins are folded can affect the product’s safety and efficacy

All this means that the concept of “essential similarity” that is used to assess whether or not a marketing authorisation should be given to a generic product are not appropriate. Instead, European Union rules require those wanting to market a biosimilar product to submit additional data showing that it will be safe and effective. This may well include clinical trial results, especially until a

body of knowledge is built up for particular product areas. Inspections of quality control and manufacturing processes are also likely, Dr Barilero added.

The exact requirements of the EU rules are not yet known — product specific guidance is now due to be published next year. What is already known is that a risk-based approach will be used, especially covering immunogenicity, with issues such as experiences gained from existing products, sensitivity of screening assays, and the degree of correlation between antibodies and clinical effect being taken into account. Any company wanting to carry out development work would be advised to contact the European Medicines Agency, she added. In the US, the process is not as far advanced as in Europe, but the information that is available suggests that the Food and Drug Administration will also use a risk-based strategy.

When biosimilars reach the market place there will also be issues for prescribers, including avoiding switching between the original and biosimilar product once therapy has been initiated, she pointed out. Some post-marketing surveillance will also need to be carried out to catch some of the rare immune events, she added.

Developing a user-friendly stock control toolkit

Many of the suppliers’ user manuals for pharmacy computer systems are “bulky and dry”, according to Kevan Wind, London and Eastern Region procurement specialist. Pharmacy staff do not therefore generally have the time or inclination to read them. In addition, hands-on training given about the systems tends to focus on the prescribing and dispensing functions. This means that pharmacy staff often have a poor knowledge of stock control that may result in a significant amount of manual stock adjustments being made at some hospitals, Mr Wind said. It can also mean that the handling of many stock lines is neglected, because staff need to concentrate the knowledge that they do have on the fast-moving expensive lines.

It would therefore be useful to develop a user-friendly stock control toolkit. Mr Wind hopes that this need has been met by the kit he has developed as a result of winning the “Innovations in pharmacologistics” award in 2003.

The toolkit contains information about general stock control principles, such as reasons for holding stock, lead times, the amount of stock that should be held and ordered, and how often stock should be ordered (ie, periodically or through fixed point review). There is also a section that details the stock control functions of each of the pharmacy computer systems in use.

Challenges associated with developing the toolkit included that the various pharmacy computer systems in use are “multifactorial and complex”. Also, some system suppliers feel that their ordering algorithms are confidential, he added.

The toolkit is to be distributed in paper format shortly, together with questionnaires, so that its usefulness can be evaluated, Mr Wind said. He added that it should be available electronically from January 2005 via www.nhspharmacyprocurement.org