



# Procurement approaches in the PHN commissioning context

## What is procurement in the commissioning context?

Within their commissioning processes, PHNs are required to identify and contract appropriate providers who can most efficiently and effectively support the delivery of primary health care services and positive health outcomes for the community and improve health system integration. This is known as the procurement process and it forms a key phase of the PHN commissioning framework. Procurement processes are influenced by the local environment and the willingness of stakeholders to participate and collaborate.

PHNs determine their preferred procurement approach which provides flexibility to decide aspects such as the period of time that procurement lasts, the requirements that providers need to respond to<sup>1</sup>, as well as the conditions that providers need to adhere to. Procurement processes typically have five stages, as listed below.

1. *Design of the procurement process*: This includes setting out a clear procurement process and rationale including how procurement responses will be assessed. PHNs may seek input from providers in designing this approach.
2. *Specification of requirements*: PHNs describe the requirements that they are seeking. Providers are invited to submit their proposed approaches to deliver these requirements.
3. *Evaluation of submissions*: Using the developed evaluation criteria, submissions are assessed. Depending on the procurement process and responses, this may involve a number of providers being short-listed for further analysis (and potential refinement).
4. *Selection of preferred supplier*: PHNs select the provider that can best support the delivery of the requirements and achieve value for money. Selection to reflect the evaluation criteria.
5. *Contract negotiation and award*: Contract arrangements between the PHN and the provider are finalised and the provider commences service delivery.

While there is flexibility to adapt each part of this process to better meet needs, in procuring services and solutions, PHNs are required to:

- achieve value for money, as determined by the quality of the solution offered, its cost and the experience and expertise of the provider;
- encourage competitive approaches;
- maintain high standards of probity, openness and fairness, and avoid or appropriately manage conflicts of interest;
- be open, accountable and transparent in their decision making; and
- secure solutions that meet the PHN's specified requirements, are flexible, adaptable and that bring innovation, as appropriate.

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<sup>1</sup> Note that in late February 2019, PHNs were informed of new requirements to involve headspace National in future PHN commissioning processes for headspace services; and involve Orygen, the National Centre for Excellence in Youth Mental Health, in future PHN commissioning processes for early psychosis youth services.

## Why is procurement important to commissioning?

Procuring services is a crucial part of the PHN commissioning cycle, as it:

- enables PHNs to identify and secure providers who can work with the PHN to address local primary health care needs;
- enables PHNs to identify innovation and best practice that can be used within service delivery;
- provides insight into the capacity, capability and performance of the current provider market;
- gives opportunities for a variety of providers to meet the diverse needs of the local population;
- harnesses the benefits of competitive processes to support patients and communities (e.g. value for money, innovation); and
- facilitates shared responsibility for the delivery of outcomes between the PHN and appropriate providers.

## What does procurement in the PHN commissioning context mean for providers?

Some of the key differences for providers may include:

- interactive activities taking place between the PHN and providers (which may include industry briefings, market soundings and discussions with broader stakeholders), whilst ensuring that probity considerations are properly addressed;
- an open approach from PHNs, with a desire to work more collaboratively;
- opportunities to work collaboratively with providers from a variety of sectors to deliver services (i.e. as part of more integrated or innovative approaches to service delivery);
- different procurement approaches that have been selected by PHNs based on the nature and size of the activity to be commissioned, to better manage risk, and to structure arrangements to provide value for money;
- greater emphasis on applications demonstrating evidence based and data driven service delivery approaches; and
- a greater role in supporting the outcomes of patients and communities, with more focus on procuring services aimed at securing specified outcomes.

## Broader PHN approaches to procurement

There are a variety of broader procurement approaches that PHNs can use to identify and contract with appropriate providers, depending on the nature and size of the activity being commissioned by PHNs. Key approaches include:

- *Service-specification based:* This procurement approach starts from the position of known specifications (often service based rather than outcome based) and typically involves a competitive process between two or more potential providers. This is often used in recommissioning existing services, when services are well-defined, in undertaking a more streamlined, time sensitive process or where there is less potential for innovation to add value.
- *Competitive dialogue:* This allows for alternative proposals in response to a PHN's requirements and the opportunity for parallel but separate dialogue sessions between providers and a PHN to further co-develop the solutions. This is often used for more complex procurements where there is more scope for innovation to add value and PHNs are looking to incorporate outcomes based commissioning approaches.
- *Most Capable Provider (MCP) or single provider:* A single source procurement method with one particular provider or consortium, which is collaborative but non-competitive. This may be suitable for limited markets where there are few providers or where there has been a pre-

selection process for the provider. PHNs therefore may look to gauge value for money through benchmarking against a value for money comparator rather than through competition.

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