

# Selling to the Health Services Sector

Business Information Factsheet

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## Introduction

The health services sector provides considerable scope for smaller suppliers seeking to supply a variety of goods and services to a range of healthcare providers, in both the public and private sectors.

The sector includes NHS hospitals, primary healthcare providers such as GPs, which are independent but whose services are funded through the NHS, and private sector providers such as care homes.

The decentralisation of NHS services has resulted in local hospitals, clinics and practices having increased autonomy to source suppliers. This is a highly competitive sector, but suppliers that can provide cost-effective services - and navigate their way through the often complicated procurement processes - can access a range of opportunities.

This factsheet summarises the opportunities and challenges facing smaller suppliers that intend to supply to the health services sector, including the economic and political background to health sector procurement affecting them. It also sets out the various types of goods and services that health providers buy, and the various methods of procurement they use. It explains how to supply to both the NHS and NHS-funded providers across the UK, as well as to private healthcare services, and provides sources of further information and support.

## The economic and political background to health sector procurement

The UK Government has stated its intention to procure goods and services from small and medium-sized businesses whenever they offer the best value for money, and has attempted to make procurement more accessible in order to help smaller suppliers bid for contracts.

In 2013/14, the Department of Health reportedly spent around £6.5 billion on private sector healthcare provision ([www.kingsfund.org.uk/projects/verdict/nhs-being-privatised](http://www.kingsfund.org.uk/projects/verdict/nhs-being-privatised)).

In Scotland in 2013 (the most recent figures available), 46% of public sector procurement spend went directly to small and medium-sized businesses, which won just under 80% of the contracts advertised on the Public Contracts Scotland portal ([www.gov.scot/Resource/0047/00475092.pdf](http://www.gov.scot/Resource/0047/00475092.pdf)).

More information about government spending with small and medium-sized businesses is available at [www.nao.org.uk/wp-content/uploads/2016/03/Governments-spending-with-small-and-medium-sizes-enterprises.pdf](http://www.nao.org.uk/wp-content/uploads/2016/03/Governments-spending-with-small-and-medium-sizes-enterprises.pdf).

Increasing demand and a relatively static budget is likely to affect public sector healthcare spending in future, with a necessity to further cut costs and achieve better value for money. NHS expenditure has risen from around £76 billion in 2005/6 to over £117 billion in 2015/16 ([www.nhsconfed.org/resources/key-statistics-on-the-nhs](http://www.nhsconfed.org/resources/key-statistics-on-the-nhs)) and the NHS ended the 2015/16

financial year with a deficit of £2.45 billion (three times the size of the deficit in the 2014/15 financial year). However, there are significant opportunities to supply services to NHS-funded healthcare providers, and during the 2015 calendar year, almost 803,000 referrals were made by GPs to independent providers who supplied outpatient care.

According to the Chartered Institute of Public Finance and Accountancy (Cipfa), the NHS is likely to face a funding gap of over £10 billion by 2020 ([www.nationalhealthexecutive.com/Health-Care-News/fyfv-outdated-as-cipfa-predicts-nhs-deficit-could-reach-16bn-](http://www.nationalhealthexecutive.com/Health-Care-News/fyfv-outdated-as-cipfa-predicts-nhs-deficit-could-reach-16bn-)). As a result, current suppliers to public sector healthcare providers are likely to see their margins squeezed, and new suppliers will need to provide better value-for-money products or services.

Guidance for smaller firms on bidding for government contracts can be viewed at [www.gov.uk/guidance/doing-business-with-government-a-guide-for-smes](http://www.gov.uk/guidance/doing-business-with-government-a-guide-for-smes).

## **The different types of healthcare providers and the services they deliver**

The health services sector is broad and its structure is complex and differs across the UK, but all providers themselves require a variety of equipment, personnel, skills and services, many of which they procure from smaller suppliers. The various types of healthcare providers include the following:

### **NHS-funded healthcare providers**

The structure and delivery of NHS-funded healthcare varies across the UK, as follows:

#### *England*

In England, Clinical Commissioning Groups (CCGs), NHS England, Public Health England (PHE) and local authorities contract with providers of NHS services, which include private providers, the voluntary sector, GPs, Foundation Trusts and NHS Trusts.

There are 209 CCGs in England, which are clinically led local statutory NHS bodies that are responsible for planning and then commissioning healthcare services in their area ([www.nhscc.org/ccgs](http://www.nhscc.org/ccgs)). CCGs are membership bodies made up of local GPs and led by a governing body that includes GPs, other clinicians, a secondary care consultant and lay members.

CCGs are responsible for around 66% of the NHS budget in England, amounting to £72 billion in 2016/17. CCGs procure services including urgent and emergency care, elective hospital services, mental health services and community care on behalf of many of the almost 8,000 GP practices in England, 154 acute trusts and 56 mental health trusts.

NHS England is responsible for specialised services, primary care (for example via GPs), offender health, and military and veteran health. However, CCGs will have taken over delegated responsibility for primary care in almost all areas in England by 2017/18.

Public Health England and local authorities are responsible for public health, although many NHS public health services are commissioned by NHS England on behalf of Public Health England.

Go to [www.england.nhs.uk/commissioning](http://www.england.nhs.uk/commissioning) and [www.kingsfund.org.uk/sites/files/kf/media/NHS%20Structure\\_2016.pdf](http://www.kingsfund.org.uk/sites/files/kf/media/NHS%20Structure_2016.pdf) for more information.

### *Scotland*

In Scotland, there are 14 regional Health Boards, a public health body and seven Special NHS Boards through which NHS Scotland delivers healthcare services.

Each regional Health Board is responsible for delivering 'front-line' healthcare services in its area. NHS Scotland works in partnership with local authorities and the voluntary sector, and the future strategy for health in Scotland includes an integrated health and social care service.

The seven Special NHS Boards include NHS National Services Scotland, which is responsible for health protection, blood transfusion and information, the Scottish Ambulance Service, and Healthcare Improvement Scotland, which is responsible for scrutinising healthcare services to ensure that safety and quality standards are met.

Go to [www.gov.scot/Topics/Health/NHS-Workforce/NHS-Boards](http://www.gov.scot/Topics/Health/NHS-Workforce/NHS-Boards) for details.

### *Wales*

In Wales, there are seven Local Health Boards (LHBs) and three NHS Trusts (providing an ambulance service, specialist cancer care and public health services respectively) through which NHS Wales delivers healthcare services.

The National Delivery Group oversees the development and delivery of healthcare services in Wales, and Community Health Councils provide the public with an independent voice in the way the NHS is run in Wales.

The Shared Services Partnership is an independent organisation owned by NHS Wales that shares best practice and provides a variety of services, including procurement services, to support NHS Wales. Go to [www.wales.nhs.uk/sitesplus/955/page/52711](http://www.wales.nhs.uk/sitesplus/955/page/52711) for more information about the Shared Services Partnership.

Go to [www.wales.nhs.uk/nhswalesaboutus/structure](http://www.wales.nhs.uk/nhswalesaboutus/structure) for more information about the structure of NHS Wales.

### *Northern Ireland*

In Northern Ireland, the Health and Social Care Board (HSCB) is responsible for commissioning health and social care services through five local commissioning groups. These cover the same geographical areas as the five Health and Social Care (HSC) Trusts in the province which deliver NHS healthcare services. The Northern Ireland Ambulance Service comprises the sixth Trust.

The Public Health Agency (PHA) is jointly responsible with the HSCB for the promotion of public health in Northern Ireland, and it works in partnership with local authorities to improve health and wellbeing.

Go to <http://online.hscni.net/home/hsc-structure/> for more information.

## **Voluntary sector healthcare providers**

Voluntary sector healthcare providers include charities and community interest companies (CICs) that provide healthcare services typically for people with specific health conditions or needs. Services provided by voluntary sector organisations are sometimes delivered under contract from public sector organisations such as local authorities, or are provided through fundraising or the award of a grant.

Some healthcare-related charities provide services or activities for people with particular conditions that are not specific treatments, but are designed to improve quality of life, and require equipment, services and goods to enable them to deliver their programmes. For example:

- Dementia Adventure is a social enterprise that provides holidays for people with dementia and their carers. Go to [www.dementiaadventure.co.uk](http://www.dementiaadventure.co.uk) for more information.
- Daft as a Brush provides transport services for cancer patients attending hospital appointments in a specific geographical area. Go to [www.daftasabrush.org.uk](http://www.daftasabrush.org.uk) for more details.
- The British Red Cross provides UK-wide services for people with disabilities. Services include short-term loans of mobility equipment, support at home and massage services. Go to [www.redcross.org.uk/What-we-do/Health-and-social-care/Independent-living/Services-for-people-with-disabilities](http://www.redcross.org.uk/What-we-do/Health-and-social-care/Independent-living/Services-for-people-with-disabilities) for more information.

Information about voluntary sector healthcare provision across the UK is available from the following organisations:

#### *England*

- Voluntary Sector Health and Care Hub ([www.voluntarysectorhealthcare.org.uk](http://www.voluntarysectorhealthcare.org.uk)).
- National Council for Voluntary Organisations (NCVO, [www.ncvo.org.uk](http://www.ncvo.org.uk)).

#### *Wales*

- Wales Council for Voluntary Action (WCVA, [www.wcva.org.uk](http://www.wcva.org.uk)).
- Health Challenge Wales ([www.healthchallengewales.org/home](http://www.healthchallengewales.org/home)).

#### *Scotland*

- Voluntary Health Scotland ([www.vhscotland.org.uk](http://www.vhscotland.org.uk)).
- Community Health Exchange (CHEX, [www.chex.org.uk](http://www.chex.org.uk)).

#### *Northern Ireland*

- Community Development & Health Network ([www.cdhn.org](http://www.cdhn.org)).
- Northern Ireland Chest, Heart and Stroke (NICHHS, <https://nichs.org.uk>).
- Action Cancer ([www.actioncancer.org/Home](http://www.actioncancer.org/Home)).

## **Private sector healthcare providers**

Healthcare services typically provided by the private sector include:

- Residential care accommodation.
- Private hospital treatment.
- Dentistry.
- Pharmacy services.
- Optical services.
- Physiotherapy and chiropractic services.

- Counselling and psychotherapy.
- Complementary therapy.
- Social/personal and domiciliary care.
- Primary care services provided by GPs (which technically are private sector partnerships, although many are funded by the NHS).

## What do healthcare services buy?

Across the whole of the UK, the public and private health sectors spend more than £150 billion a year, generating a broad range of opportunities for many types of supplier ([www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthcaresystem/articles/expenditureonhealthcareintheuk/2015-03-26](http://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthcaresystem/articles/expenditureonhealthcareintheuk/2015-03-26)).

The types of goods and services that the health services sector buys can be broadly divided into three general categories:

- **General supplies and services** - such as furniture, stationery, catering, building maintenance, gardening or cleaning services.
- **Medical supplies** - such as stethoscopes, scanning equipment or medicines.
- **Clinical services** - such as physiotherapy, psychological therapies or wheelchair services.

In England, the NHS spends more than £116 billion a year, of which around £9 billion is spent on procuring goods and services, excluding medicines and agency staff. Of this £9 billion, around a third is spent on general supplies and services, a third on medical consumables, such as dressings and gloves, and a third on high-cost medical devices, such as hip joints and cardio devices. The remainder is spent on staffing (around £56 billion a year), medicines, pathology (around £3 billion a year), agency staff, estates and facilities management (around £8 billion a year), patient transport and litigation ([www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/499229/Operational\\_productivity\\_A.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499229/Operational_productivity_A.pdf)).

## Methods of procurement

Although the systems vary in different parts of the UK, in general, there are two ways in which the health services sector buys products and services. The first is via a centralised procurement system, such as the NHS Supply Chain. These systems effectively act as marketplaces that bring suppliers and buyers together, and provide details of available contracts and tender opportunities.

The second way that the health services sector purchases goods and services is via direct sale. This is where a supplier sells their goods or services directly to a GP practice, hospital or other health service as they would to any other customer.

Many hospitals and other health services operate independently when it comes to procurement, and are in some cases entitled to bypass centralised procurements systems and make their own arrangements. A survey of 22 NHS Trusts in England found that overall, they used 30,000 different suppliers and 20,000 different product brands, while 7,000 individuals had the power to place orders for supplies.

Many goods and services supplied to the health services sector are procured under contract. Where contracts are subject to public procurement requirements, they are awarded following a formal tender process. Tenders are evaluated based on financial and non-financial criteria, including quality, clinical acceptability and ease of use. Contracts are awarded to the lowest best tender - or the supplier that meets the broadest range of criteria.

Many tender opportunities are advertised on the NHS procurement websites. The NHS is also obliged to advertise all tender opportunities valued at more than the European Union (EU) spend threshold (£106,047 for 2016/17) in the Official Journal of the European Union (OJEU).

## Specific procurement routes

Health services sector procurement routes vary across the UK and differ depending on whether products and services are being supplied to public or private sector customers, such as the NHS or private hospitals.

## NHS procurement routes

Specific procurement routes for supplying to the NHS include:

### *NHS England*

NHS Supply Chain ([www.supplychain.nhs.uk](http://www.supplychain.nhs.uk)) is the centralised system for procuring products for NHS England. In order to have a product listed in the Supply Chain catalogue, suppliers must successfully complete a formal tender process. Forthcoming tender opportunities are listed on the Supply Chain calendar, and suppliers can also speak to specific buyers regarding new contract opportunities.

All suppliers must adhere to the Supplier Code of Conduct ([www.supplychain.nhs.uk/suppliers/new-suppliers/~media/Files/Suppliers/Supplier\\_code\\_of\\_conduct.ashx](http://www.supplychain.nhs.uk/suppliers/new-suppliers/~media/Files/Suppliers/Supplier_code_of_conduct.ashx)).

Opportunities to provide clinical services to NHS England can be found on the Contracts Finder portal ([www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)), which provides information about government contracts worth over £10,000.

While the UK remains in the EU, tender opportunities where the spend is over the EU threshold (around £106,000 for 2016/17) are advertised in the OJEU, which can be viewed on the Tenders Electronic Daily website (TED, <http://ted.europa.eu/TED/main/HomePage.do>).

Opportunities to supply medicines to NHS England or the Department of Health can also be found via the Commercial Medicines Unit's eTendering system (<https://cmu.bravosolution.co.uk>).

### *Clinical Commissioning Groups (CCGs) in England*

To register to supply products or services via CCGs in England, go to [www.england.nhs.uk/ccg-details](http://www.england.nhs.uk/ccg-details) for contact details of CCGs.

### *NHS Scotland*

NHS National Procurement is responsible for procuring products and services for the NHS in Scotland ([www.nhsscotlandprocurement.scot.nhs.uk](http://www.nhsscotlandprocurement.scot.nhs.uk)). Contract opportunities for supplying to NHS Scotland can be accessed via the Public Contracts Scotland website ([www.publiccontractsscotland.gov.uk](http://www.publiccontractsscotland.gov.uk)).

Contracts where the spend is over the EU threshold are listed in the OJEU and on the TED website. Lower-value tender opportunities are also published on individual Health Board websites and in the local Scottish press. A list of links for local Health Boards can be found on the NHS Scotland website ([www.scot.nhs.uk/organisations](http://www.scot.nhs.uk/organisations)).

#### *NHS Wales*

Procurement Services, which is a division of NHS Wales Shared Services, is responsible for procuring goods and services for NHS Wales. The Procurement Services website ([www.procurement.wales.nhs.uk](http://www.procurement.wales.nhs.uk)) includes a list of the portfolio of goods and services that are typically required by NHS Wales, for which contracts are issued, and a list of tender opportunities. Higher-value tenders are listed in the OJEU and on the TED website.

Go to [www.wales.nhs.uk/sitesplus/955/page/52729](http://www.wales.nhs.uk/sitesplus/955/page/52729) for more information about Procurement Services.

#### *HSC Northern Ireland*

The Procurement and Logistics Service (PaLS) is responsible for the management of contracts for goods and services supplied to Health and Social Care (HSC) Services, the equivalent of the NHS in Northern Ireland. The HSC Business Services Organisation website ([www.hscbusiness.hscni.net/services/1910.htm](http://www.hscbusiness.hscni.net/services/1910.htm)) provides details of procurement opportunities and current contracts.

### **Private sector procurement routes**

Specific procurement routes for supplying to various examples of private sector health services include:

#### *Bupa*

Private healthcare provider Bupa, which has 17 hospitals, 320 clinics and more than 600 dental practices, buys a wide selection of general and medical supplies for its hospitals worldwide. Products and services required are split into three types, as follows:

- **Non-inventory** - which includes facilities, fleet, office products, professional services and travel.
- **Food, hotel and site services** - which includes housekeeping and cleaning products, examination gloves, staff uniforms and food.
- **IT and purchasing systems** - which includes IT software, hardware and telecommunications systems.

The Bupa Procurement and Supplier website (<https://procurement.bupa.com>) provides a list of procurement processes and current opportunities.

#### *Spire Healthcare*

Spire Healthcare ([www.spirehealthcare.com/contact-us/purchasing](http://www.spirehealthcare.com/contact-us/purchasing)), which has 39 private hospitals across the UK, splits the wide range of goods and services it buys under the following categories: direct (medical), indirect (general), food and hotel site services, and 'capital and projects'. Spire Healthcare uses various methods of procurement, including competitive tendering and partnerships with key suppliers.

BMI Healthcare is the largest private hospital group in the UK and has almost 60 private hospitals and clinics. Suppliers interested in selling to BMI Healthcare can register on the provider's Supplier Information Management system ([www.arcusplatform.com/bmi/srgsupplierregistration.aspx](http://www.arcusplatform.com/bmi/srgsupplierregistration.aspx)).

## Hints and tips

- Register with national procurement services, such as NHS Supply Chain for England.
- Build links and relationships with individuals employed by local health services and providers who have responsibility for placing orders for products and services.
- Keep up to date with ongoing changes in health service procurement by visiting the relevant pages on NHS websites and signing up for newsletters and information.
- Register for updates about tender and contract opportunities on portals and with private sector healthcare services.

## Further information

NHS Supply Chain is the centralised system for procuring products for NHS England.

Website: [www.supplychain.nhs.uk](http://www.supplychain.nhs.uk)

NHS National Procurement is responsible for healthcare procurement across the Scottish public sector.

Website: [www.nhsscotlandprocurement.scot.nhs.uk](http://www.nhsscotlandprocurement.scot.nhs.uk)

Procurement Services is a division of NHS Wales Shared Services Partnership and is responsible for procuring healthcare supplies and services on behalf of NHS Wales.

Website: [www.procurement.wales.nhs.uk](http://www.procurement.wales.nhs.uk)

The Procurement and Logistics Service (PaLS) awards and manages contracts for healthcare supplies and services on behalf of the various Health and Social Care Boards and Trusts in Northern Ireland.

Website: [www.hscbusiness.hscni.net/services/1910.htm](http://www.hscbusiness.hscni.net/services/1910.htm)

Contracts Finder is the government portal that provides small firms with information about public sector contract opportunities.

Website: [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)

Tenders Electronic Daily (TED) is a portal that provides details of available tenders and contracts that are advertised in the Official Journal of the European Union (OJEU).

Website: <http://ted.europa.eu/TED/main/HomePage.do>

Bupa Procurement and Supplier is the procurement website for the private healthcare provider Bupa.

Website: <https://procurement.bupa.com>

Spire Healthcare is a major provider of private healthcare services, with 39 private hospitals across the UK.

Website: [www.spirehealthcare.com](http://www.spirehealthcare.com)



BMI Healthcare is the largest private hospital group in the UK.  
Website: [www.bmihealthcare.co.uk](http://www.bmihealthcare.co.uk)

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