



Case Study

At A Glance

Category
Healthcare items

Location
Queensland

Value of Products Negotiated
Approximately
\$7,200,000 annually

Saving
Up to 37% reduction in price.

Industry
Healthcare

About The Client

Queensland Health aims to achieve good health and wellbeing through a network of Health Service Districts and hospitals. A range of integrated services are delivered including hospital inpatient, outpatient and emergency services, community and mental health services, aged care services and public health and health promotion programs.

Warning: Traditional Negotiation methods can be bad for Health

Healthcare and reverse auctions: odd bedfellows?

Queensland Health is one of the country's biggest health providers, employing more than 75,000 people and managing over \$2 billion of contracts annually. When the clinical contracts team decided to use Trade Interchange's e-Negotiation tool for procurement of their healthcare items - including gloves, gowns and protective equipment - there was some scepticism amongst clinicians. With concerns about decisions being driven by price and not clinical practice, it's understandable there was some resistance to the idea.

The concern that reverse auctions are a standalone 'price only' procurement tool is a common one. What is less well known is that they're also used in conjunction with a set of qualitative criteria, and can be assessed after the event. This is precisely why 'e-Negotiation' is used to describe reverse auction best practice.



"The best part of e-negotiation is that the decision is not just price-based" said Katie Kilpatrick, contracts manager for Queensland Health. "The clinicians still have a say, and we evaluated on value for money as well as clinical acceptability."

As Queensland Health and other major state health providers have discovered, it makes perfect sense to use e-Negotiations for healthcare items, as they are clearly specified, very competitive with room to move on margins and contract values are usually high.

"In terms of savings and benefits it makes good business sense"

- Katie Kilpatrick, Contracts Officer

The results speak for themselves

Any initial scepticism was laid to rest once the first e-Negotiation had taken place. Cost savings were immediately apparent, well beyond expectations. In some cases, the inclusion of eNegotiation at the tender notification stage prompted suppliers to drop their prices pre-auction – a reduction of 20% in the case of syringes, with an overall saving of more than \$1.8million. "In terms of savings and benefits, it made good business sense" says Kilpatrick.



Queensland Health's Favourite Feature

"The tool has fantastic visual charts – I love being able to see the extent of the 'worm' going down, and the ability to pop it into my own reports"

- Katie Kilpatrick, contracts manager, Clinical Contract Management Unit, Health Services Purchasing and Logistics

Trade Interchange

Trade Interchange has been providing fully managed e-Auction services since 2000. To find how they can be put to work in your business, or for a risk-free trial, please contact us.



Most suppliers, irrespective of the outcome, agreed it gave them insight into market value and where they sit competitively.

For the procurement team, contract negotiation went from a labour-intensive manual process to one which was much less time consuming. "Instead of having to conduct individual negotiations with each supplier, the tool did it for me" says Kilpatrick.

"Once we had developed internal processes around the tool, using it made negotiating significantly less stressful"

"intuitive and easy to view and understand"

- Darren Clarke,
Manager of Clinical Contracts

For Darren Clarke, Manager of Clinical Contracts, one of the main benefits is that the software is "intuitive and easy to view and understand".

He adds "Trade Interchange managed the supplier engagement and training process very well and this is rated very highly by us."

Probity Concerns

In addition to cost savings, probity and compliance are two of the most important considerations in procurement. This is where e-Negotiation help. How?

- **No bias** - the buyer becomes an observer, not a participant
- **An audit trail** - all bids, messages and reports are on the record
- **Consistency** - Suppliers all receive the same information at the same time

For Queensland Health, "probity and accountability is critical. Having a third party conduct the exercise allowed us to be completely transparent and have total probity."

Is e-Negotiation right for you?

Queensland Health had a "very positive experience, and wouldn't hesitate to recommend the tool for the right category". But not every category is suitable:

Ask yourself these three questions:

- Can the goods or services be clearly specified?
- Is there adequate competition and an unconstrained market?
- Is the value of the contract high enough to entice suppliers to encourage competition?

If your answer is 'Why, yes!' for each, as it was in the case of Airway Management Consumables for Queensland health, you have a potential candidate.