

# Scaling Up

How to give the Scottish NHS a pay rise

Andrew Mooney



Health Commission Report

# Foreword



## By Professor David Kerr, chair of Our Scottish Future's Health Commission

**SCOTLAND'S NHS is run entirely independently of health services elsewhere in the UK. That is how it should be.**

**But just because the NHS is autonomous, it does not mean Scottish health leaders should not seek to cooperate with the rest of the UK when it is in our interests to do so.**

**This paper examines one such area where there is a clear benefit to UK cooperation: procurement.**

**The NHS is a procurement leviathan. It has huge spending power. When it comes to many of the goods that the NHS buys - from surgical gloves to paper towels - massive cost savings can be made by applying the rule of efficiency of scale.**

**There is no reason why Scotland needs different surgical gloves to those used in England. We therefore argue in this paper that more UK wide procurement should take place to realise those savings. We show in this paper that if NHS Scotland shared more of its procurement with the UK wide NHS central services, it could free up £150m annually.**

**At a time when nurses and junior doctors are demanding a pay rise and threatening strike action, such a saving could give every NHS worker a pay rise of just under £1000 a year.**

**Devolution has worked for Scotland. In healthcare, it means Scotland can take its own decisions suitable for our own needs. But devolution works best when we devolve *and* cooperate. That is the way for Scotland to get the best deal out of the UK.**

**This short paper by Andrew Mooney provides a real example of the benefits of such an approach. We urge Scottish Ministers to take it up.**

# About the Author

Andrew is a recent graduate from the University of Cambridge, where he studied a Masters in Population Health Sciences.

Prior to this, he worked in a variety of analytical roles both within the NHS and private sector.

During his time at the NHS, he developed numerous data products currently used by clinicians across the country.

He also holds a Masters in Mathematics and Physics from the University of Glasgow.



# Introduction

In our previous paper, “Care Without Borders”, we reported on the high levels of cooperation across healthcare in specialised services and organ transplants. Both cases showed that through economies of scale, it was possible to maximise patient outcomes. This leads on to a further area of potential cooperation, where scalability can reduce costs and create efficiencies: procurement.

In this short paper we will outline some of the ways in which greater cooperation across the United Kingdom could achieve financial savings and improved access to therapeutics.

# Procurement

Each year, the NHS in Scotland procure around £2.5 billion of goods and services. Of this, around £1.4 billion is managed by NSS National Procurement and Logistics<sup>1</sup>. The rest is purchased directly by the NHS boards, predominantly for more locally sourced goods and services. NSS have ran an effective procurement plan over the past five years, finding efficiency savings in excess of £270 million<sup>2</sup>. Their work during the pandemic was pivotal, creating a Scottish supply chain to develop much needed PPE. Thanks to these efforts, by April 2021, 88% of PPE, excluding gloves, was manufactured in Scotland<sup>2</sup>.

However, the buying power of the Scottish population has a limit. By cooperating with the rest of the UK across procurement of goods, the collective buying power can provide greater savings for frontline NHS services in Scotland. This is of greater importance when advanced medical equipment and therapeutics are becoming increasingly more expensive. In 2016, NHS England created a new procurement agency, NHS Supply Chain, to act as a central purchasing power. Its purpose was to leverage the buying power of the NHS to deliver savings back into frontline services. By 2023/24, it is expected to deliver £2.4 billion of savings every year, approximately 10% of its budget<sup>3</sup>. Each NHS trust and healthcare organisation in England and Wales have access to the centralised service, where they can purchase a range of standardised, clinically approved products at the best value for money. These range from medical consumables such as ultrasound gel (estimated savings of up to 45% when using NHS Supply Chain<sup>4</sup>) and toilet paper (estimated savings of up to 13%<sup>5</sup>), to capital medical equipment such as MRI (estimated savings of up to 12%<sup>6</sup>) and ultrasound scanners (potential savings of up to 30%<sup>7</sup>).

In simplistic terms, economics dictates that the price of goods is determined by their supply and demand. Where there is multiple demand on goods, with supply unable to easily fulfil the order, prices will rise. In this analogy, Scotland is effectively in competition with NHS Supply Chain to procure goods. When there is no heightened demand for products, this competition may result in minimal financial differences. However, with a population around 10% of England and Wales, the NHS in Scotland will inevitably run slightly higher on a product-by-product case. During times of heightened demand, such as during a pandemic, if no collective buying agreement is in place, both Scotland and England/Wales would be competing for goods, driving up prices dramatically.





During COVID-19, the UK worked together in procurement of PPE and the development of vaccines. Whilst PPE was handled poorly by the UK Government early in the pandemic, principally due to global demand raising prices, nations banning shipment, and our own lack of internal suppliers and supplies, the vaccine rollout was a completely different story. Scotland benefited from pooled resources and was able to rollout the vaccines quicker as a result.

It is in the spirit of learning from the pandemic that we propose NHS Scotland boards share procurement for medical consumables, office supplies, and capital medical equipment with NHS Supply Chain. This would increase the collective buying power of the organisation, maximising the benefits to frontline operations. With NSS Procurement already improving supply chains at the national level, we do not think a similar 10% saving to NHS Supply Chain, circa £250 million/year, would be realised. Instead, we believe NHS Scotland should challenge itself to realise up to £150 million in procurement savings each year from working with NHS Supply Chain. If such savings through cooperation were achieved, this could pay each NHS Scotland employee an extra £975 each year.

It is important that shared procurement practices do not cede all power from Scotland. When used effectively, procurement is a powerful tool in supporting local economies. By procuring goods and services from Scottish businesses, the NHS can help local businesses grow and employ more staff, thus stimulating the economy.

We submitted an FOI to NSS to understand how many Scottish businesses they procure goods and services from. In the financial year 2021/22, NHS Scotland procured around £980 million in goods and services from companies registered in Scotland. This supported over 6,700 companies and tens of thousands of jobs. The FOI did not include any companies which have a branch/site in Scotland but are registered elsewhere.

Supporting Scottish businesses produces a multiplier effect on their local area, with payment reinvested in the local community. Studies have shown that for every £1 the NHS invests in the local economy, it generates somewhere between £1.70 and £2.10 worth of growth<sup>8,9</sup>. Furthermore, NSS has a focus on procuring goods and services from businesses who practice high social, environmental and ethical standards. This has included engaging with employers to recruit disabled and disadvantaged people, recycle hand sanitiser bottles, and achieving 100% sustainable haddock is served in hospitals<sup>2</sup>. Together, these practices help promote a sustainable and inclusive economy.

The NHS was an important anchor institution during the pandemic. With the government mandated lockdown in March 2020, many Scottish businesses saw their sales collapse. At the same time, the urgent need for goods and services to support the NHS rapidly increased. NSS rose to the challenge to support both sides. Identifying potential suppliers of hand sanitiser, NSS turned to distillers and food manufacturers. MacPhie, a Stonehaven food manufacturer, partnered with Loch Lomond Distillery to make sanitiser for frontline services. They managed to supply the NHS with over 11,000 bottles within the first month of production<sup>10</sup>. This contract remained into FY 2021/22, with MacPhie's the second largest supplier of hand sanitiser by contract value<sup>2</sup>. Similarly, as the demand of contact tracing outgrew the in-built capacity of the NHS, NSS employed the services of Barrhead Travel (a Scottish travel agency which saw demand plummet during lockdown) to telephone citizens<sup>11</sup>.

Supporting businesses in Scotland can also lead toward greater national success. Alpha Solway, a Scottish PPE manufacturer, has been one of the pandemic success stories. With support from NSS and South of Scotland Enterprise, Alpha Solway scaled up their manufacturing capability through 2020 and 2021. They are now the largest PPE manufacturer in the UK, supplying Scotland and the rest of the UK with vital goods<sup>2</sup>.

This shows that procurement must take a considered approach. Where savings can be made from economies of scale, particularly for expensive capital equipment, working at a UK level is the more pragmatic choice. For other products, particularly those which are locally sourced such as perishables, it is better to procure locally, support local businesses and the regional economy.

Working at a UK level for most medical consumables, office supplies, and capital medical equipment leads to one outstanding question: should NHS Scotland, through NSS National Procurement, continue with its own procurement programme?

There is no simple answer, and it is ultimately up to the Scottish people to decide whether a separate procurement agency based in Scotland is required. In the short term, allowing NHS Scotland health boards to access NHS Supply Chain should be seen as a procurement priority. Finding common ground across the organisations to achieve this should be achievable.

Over the longer term, NHS Scotland and the Scottish Government should assess whether a separate Scotland-wide specific agency, NSS National Procurement, is necessary. It may be seen as a net benefit, particularly if it supports Scottish enterprise and stimulates the economy. Or it may be seen as a redundant service, competing in a middle ground between NHS Supply Chain and the local procurement from the NHS Scotland health boards who act as anchor institutions. Having an impartial evaluation of the benefits and detractors should identify the most effective procurement option with the best value for money.

## Recommendation

NHS Scotland should work with the rest of the United Kingdom, through NHS Supply Chain, to procure medical consumables, office supplies, and capital medical equipment. Working together, we challenge the Scottish Government to realise financial savings of up to £150 million per year, equivalent to an extra £975 for each NHS Scotland employee.

Longer term, an assessment should be made to whether Scotland also requires its own national procurement body, NSS National Procurement, or if joint procurement with NHS Supply Chain renders it superfluous.





# Medicines

One major success story in collaborative procurement was the COVID-19 vaccination programme. From supporting vaccine development and procurement (Vaccine Taskforce), approval from a single regulator (MHRA), and creating a priority list of those most in need of vaccination (JCVI), Scotland benefited from deep cooperation with the rest of the UK, becoming one of the first countries to offer vaccinations to its citizens.

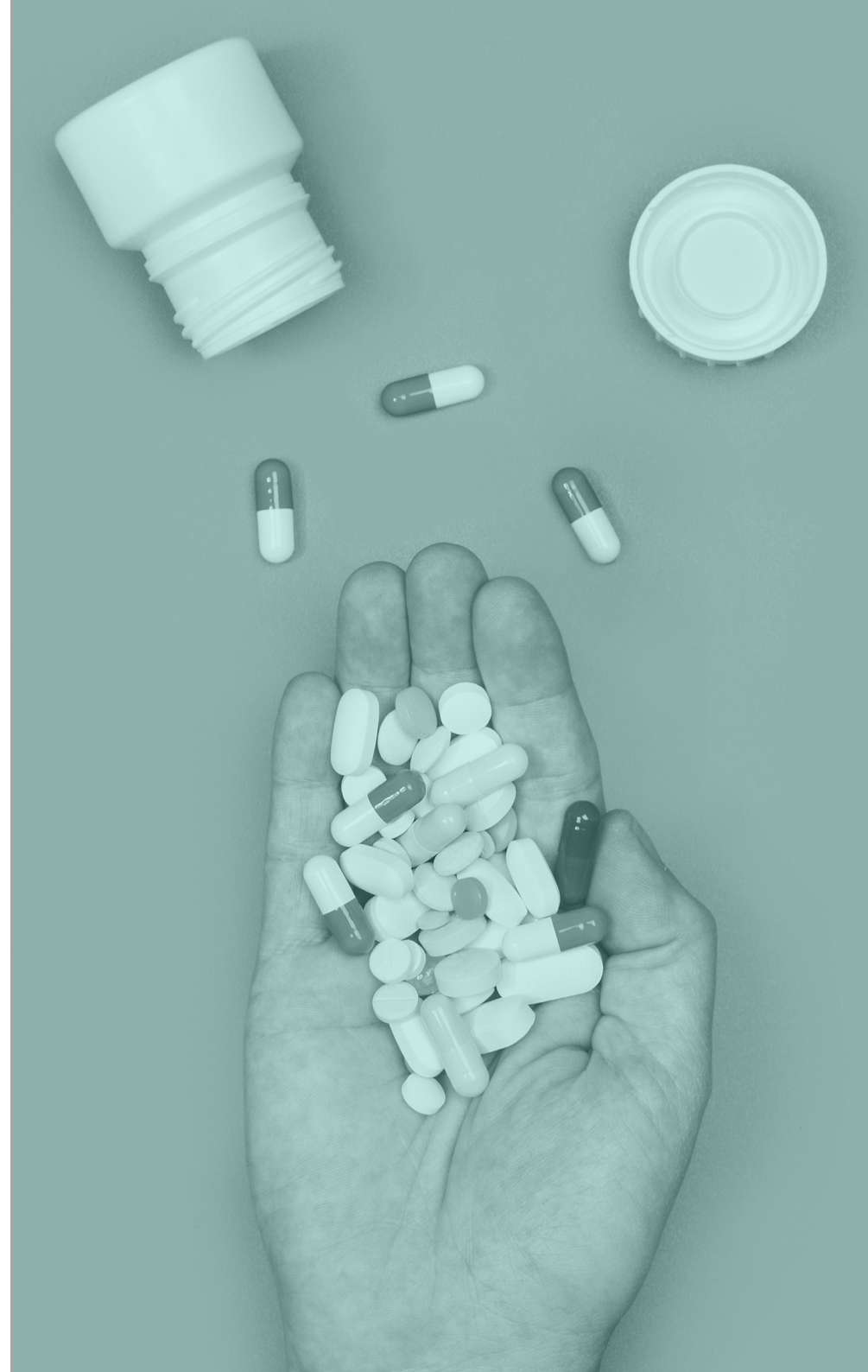
Despite the deep collaboration on COVID-19 vaccines, we continue to see variation in availability of medicines and therapeutics across the UK. The principal reason for this is the different approval bodies in the devolved nations. In Scotland, drugs available to health professionals are approved by the Scottish Medicines Consortium (SMC), with the National Institute for Health and Care Excellence (NICE) approving medicines for England.

From an FOI request to SMC and our own validation, we have identified at least 19 drugs which have been approved by NICE but not SMC. Varying reasons for lack of approval were submitted. In 8 cases, pharmaceutical companies did not make a submission for their product. The other 11 drugs which are not approved for use in Scotland are due to the pharmaceutical businesses not providing sufficiently robust economic analysis for their products. Whilst no further details are provided, it suggests that the costs to administer were higher than the upper limit set by SMC.

Some expensive drugs, such as the cancer medicines Apalutamide and Atezolizumab, which were previously not recommended due to costs have now been approved by SMC. Through a mechanism called the Patient Access Scheme, costs for medicines have become more affordable to the NHS. Pharmaceutical companies can enter this scheme by allowing discounts on new medicines, with the hopes that the NHS will allow their continued use longer term.

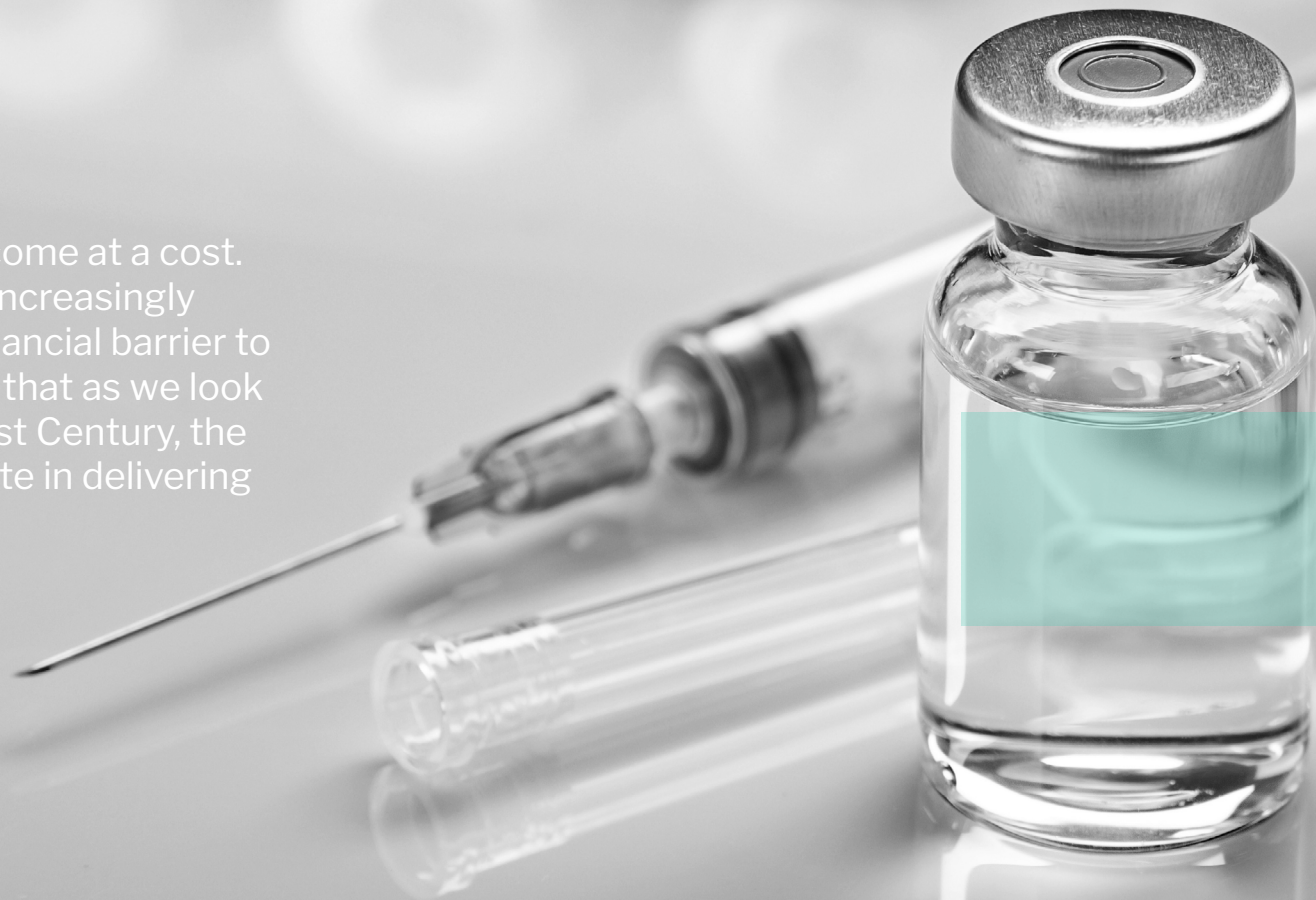
We also found at least 5 medicines which have been approved for use in Scotland, but not England.

Whilst greater alignment across the UK on medicine approval, thus ensuring all patients in need of potentially life-enhancing therapeutics have access to them, is our ambition, we are not proposing any merger of regulatory bodies. Solutions to removing the postcode lottery are beyond the scope of this report. However, we do want to mention the misalignment due to administration issues, resulting in 8 drugs not being approved. We do not want to set a precedent to other pharmaceutical companies, but to what extent should medicines approved by NICE, but not by SMC due to administration issues, be prescribed to Scottish patients?





Medical advancements come at a cost. Healthcare is becoming increasingly specialised and a high financial barrier to treat. It is therefore vital, that as we look toward the rest of the 21st Century, the UK continues to cooperate in delivering health services.



# Conclusion

Using economies of scale, Scotland can benefit from closer cooperation with the rest of the UK to deliver financial savings and create efficiencies.

In procurement, a best of both worlds approach can be developed to ensure that local businesses are supported, with capital equipment (normally from foreign companies) purchased through a UK-wide organisation. If such agreements were in place with NHS Supply Chain, we would hope to see NHS Scotland use this collective buying power to set an ambitious target for procurement cooperation, potentially realising up to £150 million a year in financial savings.

Whilst we did not advocate for any solutions to the differences in drug approval between Scotland and England, we hope that greater alignment can be reached. This may involve greater cooperation in administrative practices.



# References

- 1** National Procurement and Logistics. What We Do. NHS National Services Scotland. (Available from: <https://www.nss.nhs.scot/departments/national-procurement-and-logistics/>). [cited 13 March 2023].
- 2** NHS National Procurement. Annual Procurement Report 2021-22. NHS National Services Scotland. 2022.
- 3** Johnstone R. Jim Sahota interview: How government procurement reforms are unlocking millions for the NHS. Civil Service World. 2019. (Available from: [www.civilserviceworld.com/articles/interview/jin-sahota-interview-how-government-procurement-reforms-are-unlocking-millions](http://www.civilserviceworld.com/articles/interview/jin-sahota-interview-how-government-procurement-reforms-are-unlocking-millions)) [cited 13 March 2023]
- 4** NHS Supply Chain. Ultrasound Gel. NHS Supply Chain. 2023. (Available from: <https://www.supplychain.nhs.uk/saving/ultrasound-gel/>) [cited 13 March 2023].
- 5** NHS Supply Chain. Toilet Paper. NHS Supply Chain. 2023. (Available from: <https://www.supplychain.nhs.uk/saving/toilet-paper/>) [cited 13 March 2023].
- 6** NHS Supply Chain. SIGNA Explorer AIR 1.5T - MRI Scanner. NHS Supply Chain. 2023. (Available from: <https://www.supplychain.nhs.uk/saving/ge-healthcare-signa-explorer-air-1-5t-mri-scanner/>) [cited 13 March 2023].
- 7** NHS Supply Chain. Sonosite LX - Ultrasound Scanner. NHS Supply Chain. 2022. (Available from: <https://www.supplychain.nhs.uk/saving/fujifilm-sonosite-lx-ultrasound-scanner/>) [cited 13 March 2023].
- 8** Suárez Serrato JC, Wingender P. Estimating Local Fiscal Multipliers. National Bureau of Economic Research. 2016.
- 9** Morgan K, Munday M, Roberts A. Local economic development opportunities from NHS spending: Evidence from Wales. Urban Studies. 2016; 54(13): 3138–56.
- 10** Macphie. Macphie collaborates to produce hand sanitiser amid shortages. Macphie. 2020. (Available from: <https://www.macphie.com/macphie-collaborates-to-produce-hand-sanitiser-amid-shortages>) [cited 13 March 2023].
- 11** BBC. Covid: Barrhead Travel staff taken on as contact tracers. BBC News. 2020. (Available from: <https://www.bbc.co.uk/news/uk-scotland-54627606>) [cited 13 March 2023].

