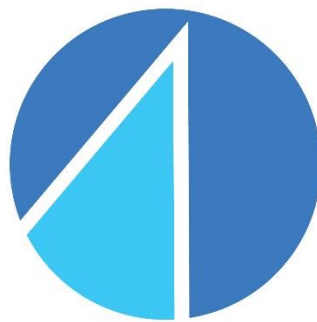


Making the Hospital Work

Procurement for the parts of the
hospital you don't see



CALIBATM
Savings Implemented





>50%
***Hospital supplier
spend is
Non-Medical***

Hospitals spend more on Non-Clinical goods and services than Clinical

Caliba review hospital spend for a living and deliver large scale hospital cost reduction projects. One key thing we have learned is that you cannot successfully reduce hospital costs with only focusing on the drapes, needles and dressings.

Hospitals are enormous engineering projects, and behind the patient treatment and operating theatres are the true engine of what makes a hospital work. You cant run a hospital without lights, the MRI scanners need servicing, patients need to be fed and everything must be cleaned.

If the lifts stop working or the HVAC doesn't turn on the hospital will quickly grind to halt. However, when you put in place good contracts with a clear specification or requirements, significant financial benefits can be made

Key Non-Clinical Spend areas to consider

- **Cleaning services**
- **Catering services**
- **Lift Maintenance**
- **Sterilisation services**
- **Security services**
- **Electrical Maintenance**
- **HVAC**

“ From cost of \$100k pa in yr2 to over \$700k pa in year 12. Escalating costs in maintenance contracts are frightening once uncovered ”

- Finance Manager, VIC
Hospital Network

Long term, multi-year contracts can cripple hospital finances

Beware of the annual increases in the maintenance contracts

A key area to review are very long term maintenance contracts, these can be 10-20 years long with some infrastructure projects. Buried within contracts the annual agreed price increase can be submitted during the build phase. Often in year 1 no-one is thinking about year 12 costs, however these increase over time and can cripple hospital budgets if left unchecked.

Maintenance costs need to be visible and also renegotiated with suppliers if required. Were the original assumptions correct ? Are they actually spending less time on-site? Are the hospital staff performing work when the supplier should be?

“ Suppliers can reduce capital equipment costs to win work at build phase only to rapidly increase annual service costs later which the Public Hospital System has to cover ”

“Procurement in health is a complex environment and the Caliba team are well experienced in various strategies.”

- Procurement Manager,
NSW Hospital District



5-8%

**Building &
Engineering**



12-27%
**Fire
Maintenance**

Its all about knowing where to look

The start point of delivering successful project is an accurate asset register and a clear understanding of the specification you wish the supplier to deliver. Without these key action costs will never be in control and service delivery will be compromised and reactionary.

With clear understanding, suppliers can accurately determine planned maintenance requirements, reaction times and understand the asset replacement timeline also. If the effort to create an asset register and clear specification is not undertaken costs will always be higher than required.

**Understand the
specification
required**

**Asset
Management
Register**

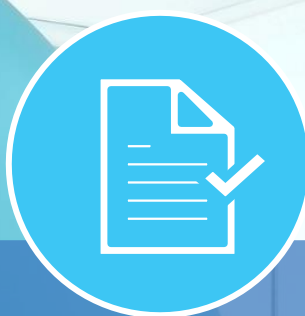
**Decide the
maintenance
contract
you require**

Three key areas to focus on in maintenance contracts



Planned Vs reactive requirements

Hospitals need to understand the current ratio of planned vs reactive maintenance. Reactive maintenance is higher cost and may indicate that the current planned maintenance is not fit for purpose



Full specification is covered

All requirements should be covered in the scope of works. Over time specifications can be added to the requirements, with Ad Hoc costs. Make sure the Asset list and specifications are up to date and ready for a tender process



Fully comprehensive or hybrid ?

Do you need a fully comprehensive contract including parts, labour , 24/7 call out in a single monthly fee?. Review the spend data to work where the actual spend is going over a 12 month period with a supplier. What is the uptime requirement and critical nature of the services?

A hybrid model of paying for call outs and parts maybe cheaper than full comprehensive

“Suppliers understand our spec better than we do...” Manager Public Hospital VIC



CALIBA
Savings Implemented

Case Study

Maintenance and asset replacement project for 5 hospital sites



All Sites

**Working
together on a
common
approach**

The client required a pragmatic and experienced team to identify, negotiate and implement a wide-ranging program of improved Equipment Maintenance, contracts Asset replacement, Service contracts and delivery strategies across 5 Public Hospitals in 3 States simultaneously

Caliba worked with Clinicians, Hospital Executives, Business Managers, In-house BME, State Procurement, Shared Services and Suppliers to deliver this wide-ranging project

Caliba was engaged to run a full \$400m spend review over five large public hospital sites, then run the procurement processes and project manage the wider project. Bringing experience from various similar projects, Caliba were able to quickly identify the projects that would deliver the savings, mitigate risk and improve services.

Caliba reviewed the entire spend profile, identified realistic potential savings opportunities across clinical and non-clinical project areas. A project plan was developed to implement the opportunities over an initial 14-month project timeline. From sterilisation equipment to lift maintenance, patient entertainment and nurse call, security services and even grounds maintenance, all areas were covered in this project.

The Caliba consultants delivered the projects which involved extensive clinical and stakeholder engagement across all hospitals in the network, working with the executive to push through cost reduction opportunities, contractual improvements and a new comprehensive asset register.



Contact us

Please contact our team today to organise an obligation free consultation with one of our cost reduction experts. Our experienced team will work with you to quickly identify practical cost reduction opportunities.



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