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WHAT'S NEW IN 2026

A Review of the AMMA Future Solutions Roundtable

IN THIS ISSUE

What's The "Value" In Healthcare Procurement?

Learn about Brian's journey within the NHS and the benefits of value-based procurement in healthcare.

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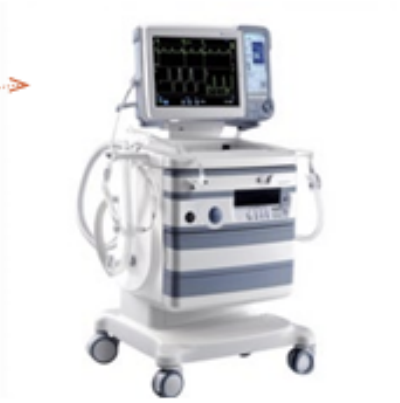


My Journey into Procurement

My working life started back in 1981, when "wireless" was an old-fashioned word for a radio, and as I sat behind a post office counter selling stamps and paying pensions; visions of 2026 peppered with flying cars and life on the moon didn't turn out quite as planned! Twenty years or so later, via a period as a Logistics Manager in Royal Mail, I found myself in procurement... a perfect job for me, my family said, as I'm tight with money and like arguing!

In 2004 I left the enthralling business of procuring rubber bands used by postmen and joined the English National Health Service, where I served as a Head of Procurement at two hospitals over a 10-year period. During this time, it's fair to say my default position was that suppliers were the enemy and I was there to make sure I could screw them down on price as much as possible — and like most procurement professionals, I believed it was something I was fairly good at.

Realising the Limits of Traditional Procurement

In 2014 I started a regional role focused on looking at ways to develop procurement in the NHS. Reflecting on my time in operational procurement and the constant cycle — the procurement cycle of doom, where we get allocated a savings target, produce work plans of savings schemes and then challenge suppliers using tactics of aggregation, standardisation and supplier switching — it became apparent that each year it was becoming more and more difficult to keep getting the same level of savings. After all, if you've done a good job with your tender/negotiations in the first place, then you'd have done something wrong if the supplier or the market came back with a radically reduced offer the next time you went out to tender.

This got me thinking that maybe, as a profession, we needed to start looking wider than just product price and more at how we could create value across a patient pathway and generate greater savings related to the total costs of care. To support this idea, I engaged with the University of Liverpool to explore the notion of "value based procurement" (VBP) — a phrase we adopted for the report published in 2015. We found that across the NHS we were focused on short-term price reductions, we had poor relations with suppliers and we need to become more strategic.

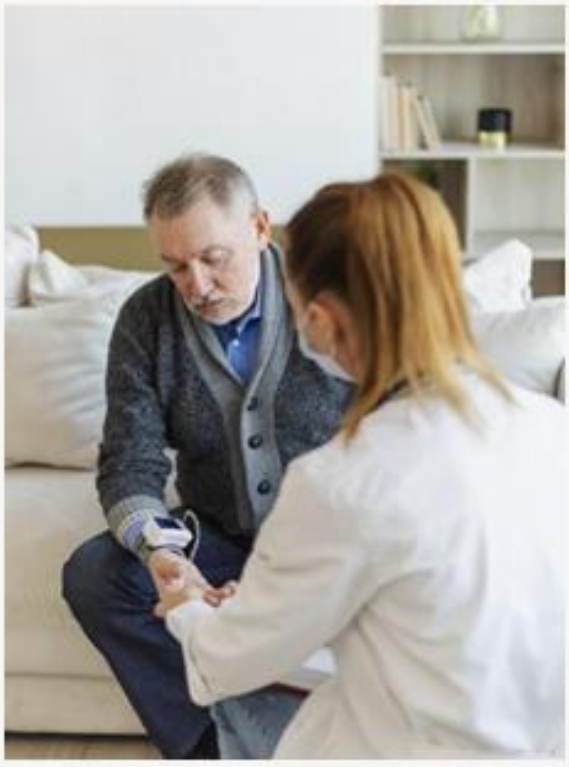
Over the next few years I engaged with the NHS, the Medical Technology industry and health systems in the UK, Europe and Canada, and it became apparent that there was a need and an appetite to change — and that doing so could enable healthcare organisations to improve outcomes and lower costs: the formula for Value Based Healthcare developed by Michael Porter in 2006[1]. A methodology and strategy that is a focus of healthcare systems around the world, including Australia and many others.

Developing and Proving the Case for Value Based Procurement

Applying theory into practice, in 2019 I was engaged as a consultant to design and lead a Value Based Procurement proof-of-concept project for the NHS Supply Chain organisation, which is the national procurement organisation for the NHS with an annual spend of £4.5bn.

Engaging with a multidisciplinary team of clinicians, finance, procurement and nursing staff, we approached a selection of suppliers (large and small) and asked them to submit what they perceived to be solutions that could create value to the NHS. The result was a number of schemes were taken through to a pilot phase with hospitals from around the country. We found that benefits created ranged from the basic — where you may pay slightly more for a product but use less (reduction in consumption) — to innovative technologies that enabled patients to be treated as a day case rather than having to spend time in hospital, products and solutions that enabled patients to be treated at home or in a less complex setting in a hospital (theatres to day ward), with some projects having a direct impact on reducing infections.

The projects were written up as case studies[2] and shared across the NHS as examples of how the approach could help improve patient experience and outcomes, increase efficiency, reduce total cost of care and also create environmental benefits.



The projects were written up as case studies[2] and shared across the NHS as examples of how the approach could help improve patient experience and outcomes, increase efficiency, reduce total cost of care and also create environmental benefits. Creating, in effect, stories that people could relate to, elevated value based procurement from theory to an approach that has the potential to support the transformation of the NHS, and has been supported and integrated into the 10-year plan for the English NHS[3].

At present there is a national project underway that involves active stakeholder engagement from across the NHS, including clinicians, finance and procurement leads and the medical technology industry, to establish a system-wide approach to integrate value into tendering procedures — a significant sign of progress and commitment to the adoption of VBP.

The Future: Transforming Procurement Through Value

Procurement as a profession has been good to me. It's a job — particularly in the health service — where I've felt that, along with my peers, we have made a difference to people's lives by making savings which you hope are re-invested in patient care. The challenge is that the "savings well is running dry," and if all we as a profession are recognised for is product price reductions, then to maximise our contribution to the institutions we serve, we need to do things differently — "Adapt or Al" is a phrase that springs to mind.

We need to broaden our horizons to consider how we can use our unique position as conduits between healthcare organisations to tap into the collective intelligence of industry and, instead of viewing them as the cause of the problem, see them as the source of the solution — ask a better question, get a better answer.

Industry too needs to change. Trust — or lack of it — between healthcare buyers and suppliers, created by a lack of transparency (the "you're my special customer" pricing tactic), is a fundamental area that needs to be addressed. When I work with industry I insist that they don't look to market value out of products/solutions that don't exist; that for value based procurement to be credible, they must be able to deliver tangible and measurable benefits that relate directly to the adoption of their technology or solution, and they need to provide contractual assurance of delivery.

Value Based Procurement creates opportunity for patients as it aims to improve patient experience, outcomes and access to care; for clinicians, where we use the process of procurement to support them to improve patient care, reduce cognitive strain, address challenges in current processes and promote innovation; for Finance Directors — VBP offers system-wide, long-term benefits and helps release capacity to improve patient flow; for Procurement — it enriches the role as a strategic function rather than a tactical one, supporting and improving healthcare delivery; for payers — it reduces procedure costs, offers options to increase profit, gain share with providers and reduce customer fees; and for providers, it ensures survival and mitigates the challenges mounting on health systems to deliver more with fewer resources.

My advice for both healthcare and industry is to start small. Identify a range of projects that can be assessed as delivering value — I've created a tick list based on the word TRIAGE to help: is the solution Tangible (will it make a difference?); what is the Return on investment; is the solution Integral to creating the value; what Assurance can the supplier offer that it will be delivered; is there Granular data available to baseline and measure success; and is there sufficient Evidence to show that it works.

Use the information generated to create case studies: highlight the challenge, the process, the outputs and the lessons learned — the more we do, the more we share, the more we achieve.

"To change is difficult; not to change is fatal."[4]
A bit dramatic, but I really believe that healthcare procurement and healthcare systems are at a precipice where we need to act now.
Value Based Procurement is one vehicle I believe is worthy of exploration.

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