



LUACH CONSULTING GROUP
UNLOCKING VALUE IN HEALTHCARE



Value-Based Procurement

A great fit for the present and future of the NHS



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Introduction

Luach Consulting Group and its partner organisation, Hill Dickinson, have been developing and promoting the benefits of transitioning towards a value-based approach to procurement and healthcare for a decade. Significant progress has been made in recent years, with the completion of a national VBP proof-of-concept project sponsored by NHS Supply Chain and subsequently developed further by the Medtech Directorate of the Department for Health and Social Care.

This article considers how value-based approaches are emerging as a means to deliver improved patient care, increase efficiency in clinical practice, and reduce the total costs of care. It is closely aligned with the objectives outlined in the recently published NHS Fit for the Future (FFTF) strategy.

Alignment

From the outset, it is evident that “value” and “outcomes” are woven into the fabric of the Fit for the Future document.

“We will put the NHS on a sustainable footing by adopting a new value-based approach, that aligns resources to achieve better health outcomes.”¹

As someone who has been developing and promoting the need to adopt a value-based approach to procurement (VBP), this 10-year plan is a significant endorsement of the work undertaken to date and the project to create a national standard VBP methodology currently in progress, led by the DHSC Medtech Directorate.

The value and outcome conundrum

The report contains multiple references to value in its various guises – value for the taxpayer, value for the patient, value-based outcomes, value for money, better value, and processes that staff value, among others. The same is true for references to the need to transition to performance and payment metrics focused on the delivery of “outcomes” — a word used 99 times across the document.

To support an understanding of value, there are several case study examples published via NHS Supply Chain² that explain what offer an explanation of meaning value and how it is delivered in practice. Meanwhile, the Department for Health and Social Care (DHSC) has a plan to produce a national standard value-based procurement methodology and metrics. This will further enhance the visibility of VBP’s benefits and create a uniform understanding of value.

Outcome management

From the authors experience in promoting and developing a value-based approach to procurement and healthcare, a concern remains that the NHS currently lacks the systems and culture needed to fully understand the tangible and measurable benefits that achieving outcomes can deliver. There needs to be total clarity on what the NHS is aiming to achieve, how to measure success quickly, easily, and transparently, and the provision of communication and support systems required to help NHS stakeholders make the paradigm shift to value and outcomes.

According to the FFTF report, the task of developing a range of clinically credible outcome measures will fall to the National Quality Board. However, there are broader outcomes that must also be addressed—linked to success in areas such as finance, efficiency, and the



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environment. The NHSE Value Savings Methodology³, developed in 2024, includes a range of value-based non-clinical outcome measures that could be adapted and expanded to meet this challenge.

The plan also acknowledges the need to build upon and expand current methodologies for Patient Reported Outcome Measures (PROMs) and Patient Reported Experience Measures (PREMs), which will be rolled out across multiple clinical pathways. However, it would be important to understand the demographic of respondents to the data collection process. A concern is that patient feedback must be representative of all groups — not just those with the capacity and inclination to participate. Failure to ensure this could inadvertently exacerbate existing health inequalities within the patient population.

Incentivising a longer-term focus

The transition from annual to multiyear budgets has consistently been highlighted as a key enabler for the adoption of value in the NHS. It is highly encouraging to see the action planned from the financial year 2026/27 and beyond to transition to multi-year budgets. Doing so will enable the alignment and targets necessary to implement and embed sustainable change within the NHS.

There will be a new focus on rewarding positive change through sharper incentives¹, including payments to clinical teams that consistently achieve high clinical outcomes, an increase in the range of best practice tariffs, and accounting mechanisms that diminish siloed budgets and encourage system-wide working.

Whilst the focus has been on the NHS adopting short-term targets, industry now needs to consider how their financial protocols can adapt — from annual sales,

profits, and shareholder dividends that drive sales incentives, to approaches more aligned with the delivery of customer value.

Patient involvement in procurement

“Patient power” is an interesting concept and one that should be considered as we develop value-based approaches to procurement. There is a misconception that involving patients in the design process of a procurement exercise will lead to over-specification. In reality, the “bells and whistles” the NHS assumes are necessary may be superfluous to patient needs. Significant patient and financial benefits could be realised by focusing on what truly matters⁴.

Pathway Value

Finance flows are set to be enhanced to support whole health economy approaches, with ICBs becoming commissioners of local health services. This includes some interesting strategies, such as year-of-care payments. These changes will help overcome traditional barriers to value-based solutions — particularly where the organisation paying for a product or service is different from the one that ultimately benefits.

There is also a move toward greater collaboration between clinicians, providing a “one-stop shop” approach to care delivery. VBP is well aligned with this direction of travel, where the focus is on procuring solutions that impact the entire patient pathway. This presents an opportunity for horizontal collaboration between industry partners and for procurement to explore changes to the traditional category management structure — shifting towards models that enable the procurement of total pathway solutions.



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Evidence of value delivery

One of the key messages I share with clients is that under no circumstances should they attempt to apply a value sales and marketing strategy to a product or solution where value doesn't exist. While the 10-year plan encourages innovation and collaboration with industry, there is a clear need for credible evidence that adoption will deliver benefits to the health service.

As the NHS moves towards contracting for value, this will become critical.

Robust data and metrics are a priority, as they will form the basis for both internal and industry contracting and performance management for the delivery of value and outcomes. As recommended in the LCG/HD report ⁵, there is an opportunity to review, collate, and publish a catalogue of key datasets and systems. This would enhance data visibility and mitigate the need to waste resources reinventing the wheel.

Conclusion

Congratulations to the contributors and authors of the NHS Fit for the Future report for producing a comprehensive strategy — one that seeks to accelerate the adoption of value-based approaches to healthcare and the holistic benefits this can bring in terms of improved patient outcomes, increased productivity, reduced total costs of care, and environmental gains.

The scale of the challenge to implement these changes is significant. While it is appreciated that the implementation plan is in development, a 10-year time horizon could be problematic. Without swift action, the issues raised in the report could be exacerbated, requiring higher levels of invention and investment to fix. Delays in patient treatment are a prime example of this.

The scale and pace of change could be accelerated by building on many initiatives already underway across the NHS, investing in training and support to upskill teams, and — crucially — through the adoption of a value-based approach to procurement (VBP). Healthcare procurement is ideally positioned to engage with all sectors of the medical supply industry and harness the significant access they have to UK-wide and global centres of excellence.

Post-COVID, cross border interaction and learning have never been more accessible.

To be fit for the future, in the words of the infamous sportswear manufacturer: we need to “just do it.”

Brian Mangan FCIPS MSc

CEO Luach Consulting Group



+44 7906 113 065



brian@luachcg.com



www.luachcg.com

References

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