

4th October 2011

Chief Executives

by the Week

*Richmond House
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London
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Your Ref: Gateway reference 16717

Dear Trust CEO

Subject: Price transparency and reducing non-pay spend – an up-date

In April I wrote to you inviting you to join a Product Pricing Project which was being established to demonstrate the benefits of trusts sharing pricing information over a sample of products. 20 trusts took part and the Foundation Trust Network, who undertook the work, have now published a summary report of the results, which can be found at

<http://www.dh.gov.uk/health/2011/10/product-pricing/>

This report demonstrates that there are significant savings to be made through tackling the differences in prices that the NHS is paying for common items. However, these savings can only be achieved when this information is acted upon so plans should be developed locally to consider how these gaps in pricing should be addressed. Whilst this project has been a managed process, NHS organisations can undertake benchmarking as formally or informally as they wish and should use this report to initiate discussions with colleagues on how pricing transparency can be developed in their trust.

The Department of Health considers transparency to be at the heart of the QIPP programme for procurement and will continue to undertake initiatives and implement policy that encourages and supports the NHS system in the sharing of procurement information. I would be interested to hear your views on how you think this would work best, for example, should we create a 'basket of goods' approach that we use to benchmark? Please let me know what you think copying in beth.loudon@cmu.nhs.uk.

I am concerned that many trusts may think that they are not able to share product pricing information as it is perceived as confidential information. The NHS Terms and Conditions of Contract for the purchase of goods and the supply of services provide a clause to cover this (below, 28.4 and 35.3 respectively) and I would urge you to ensure that your organisation is not signing any additional agreements which override or conflict with this clause. However, please ensure when sharing pricing information that this does not include:

- information from which a patient or any other person can be identified; or
- information from which a patient or any other person can be identified in conjunction with other information which is in your possession or is likely to come into your possession.

as such information carries a common law duty of confidentiality and should not be disclosed for such purposes.

'The Contractor authorises the Authority and any Beneficiary to disclose the Confidential Information to such person(s) as may be notified to the Contractor in writing by the Authority from time to time to the extent only as is necessary for the purposes of auditing and collating information so as to ascertain a realistic market price for the Goods supplied in accordance with the Contract, such exercise being commonly referred to as "benchmarking".'

I would also like to take this opportunity to up-date you on the NHS leaders' procurement workshop that was held on 18th July. I know that everyone involved got a great deal out of it and the slides and outputs of the day are available on the DH website

http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_129205

The National QIPP procurement team are now using these outputs to develop an NHS strategy for procurement which will describe the plan for implementing the levers, standards and central support needed to make our procurement world class. I will contact you again when this is more developed to invite you to comment and feedback on a draft.

If you have any comments or questions on the workstream please contact Beth Loudon at the Procurement, Investment and Commercial Division on beth.loudon@cmu.nhs.uk



Jim Easton
National Director for Improvement and Efficiency