e-Tendering = Efficiency Gains and Lower Costs

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Introduction

Tendering processes are a suitable mechanism for healthcare providers to fairly assign contracts for procurement and projects. But the current tendering process in which most hospitals and healthcare providers engage has not changed much over the past 30 years, even with the Internet and e-mail, both loudly hailed as tools for increasing efficiency and decreasing costs by reducing, among other things, paperwork and the handling thereof.

Much of healthcare's tendering process remains manual, disjointed, paper-heavy, and repetitive. This contributes significant and (given the technology available today) largely unnecessary cost to the healthcare supply chain, diverting resources from priority healthcare services that improve patient safety and outcomes.

Inherent in the current process are the hours spent by the buyer and one or more merchants which, together, exact a significant cost from the healthcare supply chain.

The Process

Preparation & Distribution

The current tendering process usually starts with a preparation phase that, stretching from hours to days, can cost the organization as much as $5,000 to $50,000. Lengthy delays between demand and delivery are not unheard of, particularly if the buyer is juggling multiple tenders simultaneously or the nature of the tender is of a complexity that justifies the expensive decision to hire a consultant to manage the process.

During the preparation phase, the buyer ascertains demand levels ("usages") from a frequently diverse array of sources and stakeholders, then manually collates and tallies these inputs into consolidated demand for inclusion in the tender. The buyer then creates a new – or rejigs an existing – tender document. This can be a daunting task each time because, depending on the nature and quantities of equipment, supplies, and/or services required, tender documents can be voluminous containing literally hundreds of questions requiring comments and explanations.

The buyer issues the distribution-ready tender document by all means available, including, thanks to the Internet, posting it to online bulletin boards that relevant merchants are known to visit.

The intrinsic cost associated with multiple merchants responding to a tender document is where the price tag for the entire supply chain really starts to escalate.

Responses

Depending on the complexity and level of thought, detail, and response required, the potential cost of responding to a tender can easily outdistance the potential for profit. This should concern healthcare providers because merchant costs of responding to every tender – won or not won – are absorbed as "the cost of doing business" and are necessarily reflected in the pricing required to remain profitable.

Is it any wonder healthcare supply chain costs are continuing to escalate?

Typically, depending on the complexity and need for senior level knowledge in multiple areas of expertise, each merchant manually segments and forwards relevant sections to appropriate respondents within their organization. Response frequently entails re-creating previous answers because it's generally faster and easier to write a new answer than to track down, massage, and re-format an old one. The collected responses are then collated, shaped into a final form, and e-mailed (or printed and couriered, as required) to the buyer.

This triggers the most painstaking and error-prone phase of the tendering process: analysis.

Analysis

The buyer retrieves the responses - frequently in a host of inconsistent formats - and manually transposes them into a logical format that accommodates enough "apple-to-apple" comparison enabling an analysis to justify a decision/award. On a white board, in a table, or in a spreadsheet, this arduous step can represent hours of work where mistakes are all-too-easy to make. Tenders involving dozens or hundreds of items may require the buyer to re-enter information gathered from multiple tender responses item-by-item, prepare a summary for analysis, and then reach a decision to award one or more merchants. The award becomes the starting point for creating the contract.

Clearly, the inefficiencies of the traditional tendering process described above are at odds with any desire to reduce healthcare supply chain costs. So the question becomes how to use information technology to alter the tendering process in order to radically reduce supply chain costs for both buyers and merchants.

E-Tendering

E-tendering is one of the answers to healthcare's cash crisis. Savings attributable to new process efficiencies are achieved by the buyer and each merchant participating in any given tendering process. Many of the traditional tasks described above are completely removed, with the direct benefit of freeing buyers – not necessarily cutting FTEs – to spend more time searching for and testing best of breed products/supplies/services available anywhere in the world, rather than settling for the status quo; i.e. "The answer is out there… if only we had time to look for it."

E-tendering supports best practice in procurement by computerizing to optimize the entire tendering process for buyers and responding merchants. As e-mail has created new standards for interpersonal communication, e-tendering has the capacity to create new standards for tendering.

E-tendering allows the buyer to review all merchant responses at the same time, comparing items and services side-by-side, apple-to-apple, online. A weighted scoring system (with the flexibility to change or even override, where appropriate) facilitates paperless analysis of multiple tenders in a fraction of the time the traditional tendering model demands.

Further, the online tender document can be converted into a contract and linked directly to purchasing to ensure all future POs reflect the contracted price. The value of this supportive aspect of e-tendering should not be overlooked because of the sheer volume of POs that, under the old system, need to be corrected or fail to reflect contracts in place.

E-tendering prevents buyers and merchants from updating contracts without the other party's involvement and eliminates contract disputes. It upholds efforts to prevent maverick spending and off-contract purchasing, and supports the fulfillment of contracts for proposed usages.

Before embracing any solution that alleges to increase efficiency and reduce costs, it is important to evaluate the kinds of savings that can be achieved. The following table is a conservative estimate of the cost savings (ROI) available with e-tendering:

Task	Current Tendering Model (manual process)	E-Tendering Model (integrated process)	Savings %
Requisition	$10 - $75	$1.50	85 - 98%
Tender document	$200 - $50,000	$364	70 - 99%
Purchase Order	$150 - $200	$32.50	78 - 84%
Payment	$50 - $150	$0.10	100%

Buyers can electronically pull and combine usages from current MIS systems, create new or re-use existing questions stored in a searchable repository, and use intuitive templates and standardized formats to prepare tender documents online at a secure, central point on the Internet. This phase alone saves hours of manual work and eliminates redundant effort every time. With a click of the mouse, the buyer places a description of the tender on the bulletin board with a link to the tender. Interested merchants click the link to access the tender and are instantly taken to a secure webpage where they can respond immediately and/or allocate sections to multiple respondents within their organizations.

E-tendering supports multiple simultaneous respondents online in real-time. Every response is saved for re-use on future tenders, eliminating redundant effort and the onerous strain of collating bits and pieces into an impressive, consolidated response. Delays and errors are avoided because answers are available for viewing, editing, and approving at a central online location.

While the above represents significant process improvement to this point, it is at the response analysis stage where the value of e-tendering becomes unmistakably apparent.

Over the period of a year, the savings to an individual hospital and the healthcare industry overall could make an eloquent contribution at the bottom line: increased funds for initiatives that directly impact patient safety and outcomes.

Conclusion

Using the Internet to facilitate procurement isn't new. Most buyers today are already searching the Internet on capital items, locating multiple merchants, and e-mailing requests for quotations. In a typical day, this may happen five or six times, so at any given time a buyer's e-mailbox can be clogged with responses on hundreds of items. Once buyers have created their first online tender document and the online process has flowed through to award and contract, they quickly see the time saved. Once they have finished their second and third e-tendering processes, re-using much of what they created earlier, they see the work saved. And once they have analyzed multiple responses, made a few awards, and automatically generated their first contracts, they wonder how they managed to get anything done in a timely manner before. ●