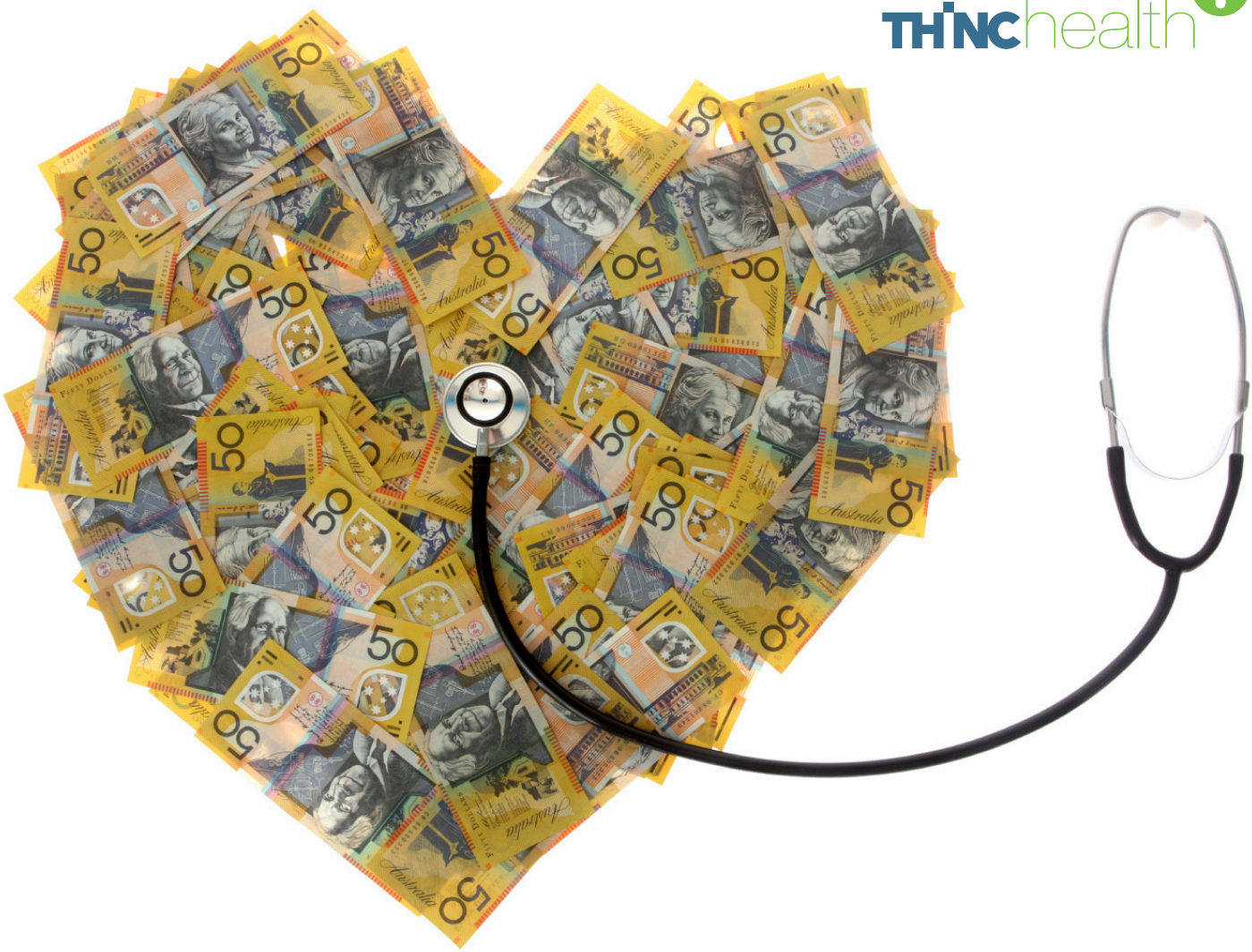

BETTER OUTCOMES THROUGH BETTER PROCUREMENT

A more mature approach to procurement is needed to improve health outcomes, argues Thinc's Roger Carthey

Australia is in many respects still a young and pioneering country. It's in our blood to adopt a 'can do' attitude to delivering major infrastructure projects, including healthcare assets, and our approach to procurement in many ways reflects this. It has served us well to date, but is it right for the growing, maturing nation we are fast becoming and does it deliver the best possible health outcomes?

In mid 2012, two Thinc Directors participated in a European study trip organised by the Australian Health Design Council and the Australasian College of Health Service Managers to seek out procurement best practice and benchmark the Australian healthcare system against some of the most respected systems in the world. We visited healthcare facilities in the United Kingdom, Holland and Norway and the results were interesting.

What we found, was that both healthcare design and procurement are significantly affected by cultural and historical factors. Procurement models and designs varied significantly across the three countries visited and we could see a clear relationship to cultural priorities and imperatives.

UNITED KINGDOM

Over the last decade or more the UK has delivered a significant number of new health facilities through the PPP/PFI models and to a lesser extent through the LIFT partnership model.

Although potentially expensive over the long term, the partnership models have helped to deliver a major program of work with limited upfront capital and in response to serious underinvestment in healthcare infrastructure over many years.

The results are satisfactory, but not inspirational, and the British Government has clearly opted for quantity over quality – reflecting the socialist core principles of the NHS that 'it meet the needs of everyone and that it be free at the point of delivery.'

> *Unlike the European countries we visited, Australia does not have the same historical issues that tend to limit innovation in procurement.*

THE NETHERLANDS

The Dutch healthcare system is complicated but is best described as 'competitive altruism'. Health insurance is compulsory for all primary and curative care but long term care for the elderly and the dying is funded through social insurance taxation.

The vast majority of health services are provided by not-for-profit NGOs in a competitive environment. Providers bid to provide health services to communities and take on commercial risk to do so. The built assets they need to deliver the services are left up to the providers to decide – there is therefore a clear link between facilities and service models.

When seeking to build new facilities or renovate existing assets, we found that providers used a variety of contract forms but with a focus on the quality and appropriateness of the end result, rather than a simple focus on lowest cost. This is also reflective of the diversity of healthcare providers, each of which is free to choose the procurement method that best satisfies their needs.

Holland is densely populated and has a relatively homogenous population with broadly consistent demands on the health system. It is therefore easy for individuals to switch between healthcare providers and competition is high. This situation generally leads to highly efficient health services delivered from state-of-the art built assets. It is a sophisticated model that falls out of a mature economic and cultural environment.

NORWAY

The Norwegian facilities visited were all of an extremely high quality and the build-costs were also relatively high. Similarly to the UK, all citizens are eligible for treatment free of charge in the public hospital system.

Norwegians are extremely proud of their healthcare system and health buildings are seen as icons of the community. In an environment where healthcare providers are aware of the Government's relative affluence, there have been significant issues in controlling user aspirations and the cost of construction.

Research into procurement routes in Norway for public buildings suggests that clients continue to select the same procurement route as they are used to[1], rather than considering projects on a case by case basis and adopting the option that will deliver the best possible results in the particular situation. In 2009, the Built Environment Industry Innovation Council also recognised that this is a major issue in the Australian construction industry.

THE OPPORTUNITY FOR AUSTRALIA

Procurement models should enable the project outcomes that are targeted and reflect the current political and economic climate. In many ways, Australia is at a cross roads – we have an ageing population, a rapidly expanding population and the cost of implementing new improvements in medical science is staggering.

Many economists are predicting an unavoidable rise in taxation to fund all this, but in an environment of rising costs, population growth and ageing assets, there is some debate as to whether taxation revenue can grow quickly enough to keep pace with costs. A fundamental debate is needed on how we going to increase our health asset base quickly enough to meet the growing demand and how it is going to be funded.

Australia is a modern, forward-thinking country and we now have a relatively mature healthcare sector. A mature industry and a mature country need a mature procurement system. Recent research suggests that Australia is the most adversarial construction market in the world and is stifling social infrastructure development – even if the findings are exaggerated, is this acceptable?

Unlike the European countries we visited, Australia does not have the same historical issues that tend to limit innovation in procurement. By encouraging industry debate, seeking out best practice from around the world, clearly defining the balance between time cost and quality needed, and capitalising on the expertise in the Australian market, there is no doubt that together we can adopt a more strategic approach, that will deliver the healthcare facilities and services we need to improve outcomes for communities across the country for generations to come. ■

To discuss this topic further, contact:

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[1] Lædre, O., Austeng, K., Haugen, T., and Klakegg, O. (2006). "Procurement Routes in Public Building and Construction Projects." *J. Constr. Eng. Manage.,*