

Case Study Path Links

A Managed Service Contract enabling 'Lean' haematology work practices

As the practice of transferring day-to-day related management responsibility, Managed Services offer a strategic method to enable improved effective and efficient operations. HORIBA Medical has recently extended its long standing partnership with Path Links, the pioneering integrated pathology service encompassing Lincolnshire, by entering into a Managed Service Contract (MSC).

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Mick Chomyn, Path Links
Assistant General Manager

Mick Chomyn, Path Links Assistant General Manager, discusses the reasoning behind his decision to enter into a Managed Service Contract (MSC) with HORIBA Medical for haematology services and his thoughts on this increasingly popular approach to financing services in the NHS.

What was the motive for changing and how did you go about it?

Our introduction to Managed Service Contracts (MSC) came at the time of embarking on a major equipment replacement programme for haematology, clinical chemistry, immunoassay, and pre-analytical systems in 2006. Whilst we had not included the provision of an MSC as a mandatory requirement of the procurement process, we were conscious of their growing emergence across the NHS and specifically, their successful application in pathology.

What was the scope of the project?

From the initiation of Path Links as a single managed pathology service in 2001, it was always our intention to align our major equipment procurement cycles concurrently which occurred for the first time in 2006. For haematology, we were seeking to replace our ABX Pentra 120/120R analysers across our six laboratory sites and extend our requirements to include automated slide making and staining, and advanced data management.

Path Links had also already embarked on their 'Lean' implementation project supported



HORIBA Medical has assisted Path Links to incorporate Lean design in its single high volume 'capacity lab' at the Diana Princess of Wales Hospital, Grimsby.

by a US based consultancy, Argent Global Services, which incorporated the development of a single high volume 'capacity laboratory' as a strategy to meet continuing activity growth. The 'capacity laboratory', based at the Diana Princess of Wales Hospital, Grimsby, incorporates Lean work cells as the functional units of the Blood Sciences laboratory. As such, our analytical requirements were for flexible discrete systems in both haematology and chemistry as opposed to highly automated tracked systems.

Whilst both haematology and chemistry procurement cycles were aligned, we made the decision not to link them into a single procurement to ensure that we had the choice of 'best of breed' in both disciplines together with the flexibility of achieving a 'best fit' for our Lean work cells. Additionally, given the length of the contract award (7-10 years), it was vitally important to ensure that both the equipment and services offered by the successful vendor would meet our requirements over the full period of the contract.

What attracted you to a Managed Service Contract?

Whilst having no direct experience at the time, several equipment suppliers put forward the proposal of an MSC as a framework to meet our future requirements; our attention being gained from a number of key factors, in no particular order, but namely:

Contractual

All aspects of the service provided, including equipment purchase, installation, training, maintenance, upgrading and administration is covered and transferred to a third party supplier. Contractual obligations are well defined and subject to regular performance monitoring; these being linked to prescribed penalties for non conformance or compliance. Given the size, complexity and value of the contract, this aspect of MSC provides greater reassurance and enhanced benefits over a traditional procurement scenario.

Financial

Continuing to deliver high quality and responsive services against a backdrop of increasing demand and

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dwindling resources is probably the biggest challenge facing pathology services in the UK. An MSC better enables pathology services to avoid capital outlay, improve financial flows and provide opportunities for cost avoidance and, even better, savings. Under the terms of an MSC you pay a fixed rate and then only for the services that you use; add to that the opportunity to recover VAT then an MSC instantly presents opportunities to meet financial savings targets, fund additional equipment and services, or both.

Operational

The principal operational benefit from an MSC is toward 'future proofing' service provision. In pathology, where continuing rapid technological advancements may render equipment 'obsolete' during the term of a contract, the MSC provides opportunities for equipment 'refresh' should this arise. Furthermore, since all aspects of the service are covered contractually, the supplier provides the guarantee of placing additional equipment necessary to meet future workload demands. MSC's are therefore particularly attractive as they provide solutions to increasing supply and demand pressures.

Mitigation of Risk

With an MSC, the cost and risk of ownership remains with the contractor thereby significantly reducing those risks and liabilities traditionally borne by the pathology service. Whilst not exclusive, the following risks are mitigated:

- Risk associated with initial capital investment and unanticipated future requirements to meet service changes and rising demand
- Unforeseen maintenance and spare part costs
- New staff training costs
- Guarantees for uptime and equipment availability thereby

minimising costs (financial and operational) associated with equipment downtime

- Guaranteed delivery of services, reagents and consumables
- Failure to realise the maximum potential of the equipment offered in terms of utilisation, productivity and functionality

Whilst the transfer of risk has clear benefits for the service, a collective and contractual agreement to further mitigate risks on an ongoing basis is mutually beneficial in supporting a true partnership arrangement as opposed to a traditional purchaser/provider agreement.

Why did you decide to go with HORIBA Medical?

The Path Links decision to award the contract to HORIBA Medical as the preferred supplier for haematology systems was multi-factorial. Again in no particular order, the following decision criteria applied:

- Path Links had a long standing and successful relationship with HORIBA Medical, with a proven track record of instrument reliability and service support.
- In meeting our requirements for developing Lean work cells, initially in the Grimsby laboratory and ultimately across all Path Links laboratories, HORIBA Medical provided the most robust solution in terms of instrument configuration, capacity and functionality.
- It was recognised that additional analytical system requirements - such as slide making and staining - over and above our existing analytical base would inevitably add cost pressures to an already tight budget position. In proposing an MSC, HORIBA Medical formulated a robust package that not only fulfilled our analytical requirements but one which was both affordable and provided best value for money over the length of the contract.

- As the benefits of an MSC became apparent, as described above, HORIBA Medical were keen to engage with Path Links in developing a partnership arrangement to ensure long term service continuity and development. Implicit in this is a mutual desire to achieve optimum system efficiency and productivity to support ongoing Lean initiatives and the implementation of revised working arrangements.

Are you satisfied with the results?

The initial financial benefits are readily apparent in that we have a stable, predictable, and affordable financial framework for the next seven years. The transfer of risk associated with MSC's also means that we are 'future proofed' in terms of equipment availability, access to technological advances and flexibility and capacity to meet future changes in demand. The key element for long term success will be our joint ability to develop a responsive and mutually beneficial partnership. Whilst adjustments will be required in both organisations to facilitate closer working arrangements these are both attainable and desirable to achieve a highly successful outcome.

Do you see use of a managed service contract as the way forward and are there any plans within the trust to extend their use to other areas?

Having firsthand experience of the benefits of an MSC we have proactively explored its wider application across Path Links. The way in which the MSC was constructed has allowed Path Links to subsequently incorporate additional elements which have been applied to coagulation equipment and services and blood collection systems.

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HORIBA Medical
Kyoto Close, Moulton Park, Northampton NN3 6FL
Tel: 01604 542650 • Fax: 01604 542651 • Email: feedback.hduk@horiba.com
www.horiba.com/uk/medical