

Investigating the Current State of Sustainable Procurement of Pharmaceuticals and Medical Devices

Context

It has been shown that supply chains in the healthcare profession contribute a significant proportion of the overall impact on the environment and to our society, stemming from the fact that up to 75% of spend goes through the supply chain.

In the case of Pharmaceuticals and Medical Devices (P&MD), it has been calculated that they are accountable for a third of NHS England’s greenhouse gas (GHG) emissions in 2012.

There are already many efforts globally to address these impacts, such as the NHS’s Procuring for Carbon Reduction (P4CR) and Ethical Procurement for Health (EPH) programmes, Practice Greenhealth in the US, the EU’s Green Public Procurement guidance for medical devices. The Sustainable Healthcare Coalition (SHC) has also developed guidance, including one on appraising the carbon impacts of P&MD and a second for enabling sustainable care pathways.

However, there is a perception that procurement of P&MD through supply chain management isn't achieving as much as it could do on sustainability objectives and targets, which in turn means that potential opportunities for savings and efficiencies are being missed.

Action

As a consequence of this the SHC commissioned Action Sustainability to *Investigate the Current State of Sustainable Procurement of Pharmaceuticals and Medical Devices*. We used the British standard for Sustainable Procurement, BS 8903:2010, as the framework for our research and investigation, see Figure 1.¹

Action Sustainability undertook a process of consulting with key stakeholders in the healthcare industry (providers, suppliers and academia), which was supported by an investigation of the current literature, legislation and initiatives that demand or encourage sustainable approaches to the procurement of P&MD. From this we developed a set of findings and recommended actions that the SHC could pursue to promote greater, coordinated action in this space. This paper gives an overview of the findings and recommendations, more of which can be read in the full report.

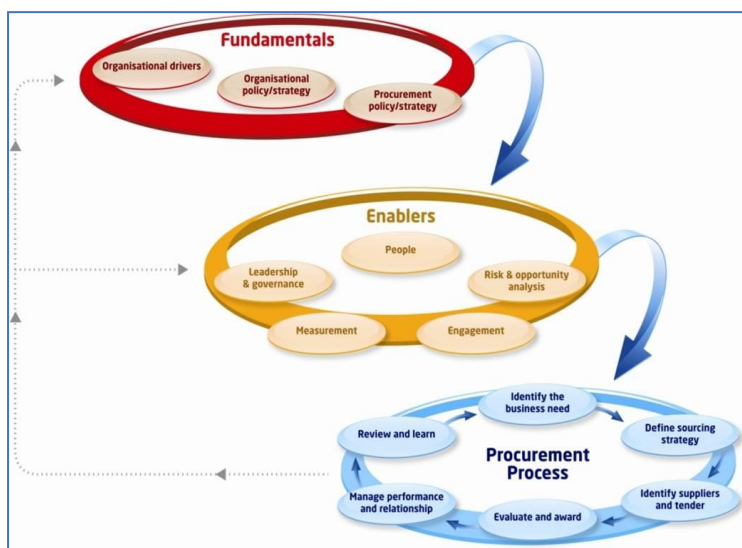


Figure 1. BS 8903 Framework for Sustainable Procurement

¹ BS 8903 was superseded by ISO 20400:2017 in April 2017. However, the ISO Standard is evolved from the British Standard, following a very similar structure, and all findings and recommendations still apply.

Findings and Recommendations

There were several clear and consistent findings from the investigations stretching across all aspects of the Standard.

Drivers, Policy and Strategy

It was very apparent that many healthcare organisations don't see sustainability and sustainable supply chains as an overarching and key organisational driver; clinical outcomes/patient care, efficient use of finances, and reputation were all cited, for obvious reasons, as being paramount. Environmental and social impacts of products do get some attention, but generally only in specific cases and in an uncoordinated manner, rather than from an organisational top-down approach. For example, large energy-using devices (e.g. MRI scanners) in terms of operational spend on energy, or ethical labour standards in the sourcing of low value items such as gloves. The issue is exacerbated by a fragmentation of policies for sustainability and procurement – there were few examples of coordinated approaches to sustainable procurement and supply chain engagement. Therefore, many of the stakeholders engaged only spoke of environmental issues in purchasing, such as ISO 14001, and even fewer included sustainability when it came to P&MD.

To address this, healthcare organisations need to develop and then clearly state the case for why they are acting in a sustainable manner – the drivers – and how they are going to do this through their sustainability policies and strategies, supported by their suppliers through sustainable procurement policies. This needs to be driven from the top by strong senior management through the organisation so that everyone understands it and how they can contribute.

Leadership

Following on from this the research showed that there is certainly a need for stronger leadership on sustainability, demonstrating that it is a critical objective for the organisation, which in turn can lead to financial and reputational benefits. The current situation is that unless there is someone at or near the top of the organisation who regularly champions sustainability in procurement (which is rarely the case), nothing happens in supply chain engagement beyond standard compliance issues. It is proposed therefore that there is an expectation for at least one of the Senior Management Team in a given organisation to be visibly responsible for sustainable supply chain objectives.

People

Awareness of sustainability across healthcare organisations, in particular from the P&MD products purchased, was seen as low. This was a straightforward outcome when you consider the main drivers in purchasing of being clinical outcomes, efficient use of finances, and reputation. However, to improve the situation with respect to sustainability, understanding and competence has to be increased. Importantly this is not only for procurement staff, but also the clinicians and commissioning groups who ultimately specify what's needed and make the decisions. This can be remedied with suitably focused training and guidance – procurement and clinical staff aren't expected to be experts, but they should know the role they play in the decision-making process with respect to sustainability, and understand the issues enough to ask the right questions.

Risk, Opportunities and Engaging the Supply Chain

Understanding where sustainability risks lie in the supply chain and then engaging suppliers to address them was seen as another area where improvements could be made. Clearly, risk is considered in the procurement of P&MD, but generally on security of supply and product quality;

sustainability only gets considered in some high-profile areas, as mentioned earlier. Including sustainability in risk and opportunity analysis is important as it is at the core of any actions to mitigate and reduce sustainability impacts. Furthermore, it is understood that healthcare organisations don't engage suppliers on a regular basis, either because of public procurement law, or because items are bought from call-off contracts and there are no incentives to engage. Engaging with your suppliers, particularly those in areas of greater risk or opportunity, allows you to get to the heart of the issue sooner and address the risk or, conversely, unlock the potential for innovative ways of working. In many cases, suppliers have a great story to tell about the sustainability benefits of their products, but aren't given a route to demonstrate it to their clients. It is our recommendation that healthcare organisations include sustainability more definitively in their risk assessment process and as an outcome of that work more closely with suppliers on reducing product sustainability impacts, both directly and through collaborative initiatives such as SHC and PSCI.

Measurement

Apart from estates and fleet management the research showed that little is done in the way of data collection and measurement for sustainability impacts when it comes to the procurement of P&MD. In order to understand the contribution to sustainability objectives from the procurement of P&MD, a robust top-down approach to supply chain objectives, targets, metrics and KPIs is needed along with the necessary culture of gathering reliable data from suppliers (which takes us back to training and awareness raising).

Procurement Process

When it comes to the procurement process, largely speaking, sustainability doesn't figure in the conversations or tendering process, except for the few examples cited above. Other areas where it occurs are through the use of environmental accreditations such as ISO 14001 and in framework contracts, but these tend to focus on the organisation rather than the products. It is recognised however that suppliers do need to be asked about the sustainability of their P&MD products, and in a consistent fashion. Knowing what to ask them is formulated by the organisational drivers – why are we doing sustainability? – as well as the risk & opportunity assessments – these tell you which sustainability impacts to focus on. Taking an agreed, sector-wide approach across the supply chain to which issues are important and scoping out template questions will mean that they get addressed more quickly, especially if innovation is encouraged through output specifications.

Summary

In conclusion, there are many areas across the spectrum of sustainable procurement where interventions can be made to improve the inclusions and success of sustainable procurement in the purchase and supply of P&MD. But perhaps the most significant areas are those of Drivers, Leadership, People and Engagement. There are many existing policies and strategies that can be used, as appropriate, in different situations. Similarly, there are established methods for assessing risks, measuring performance and doing the procurement process that can be developed to include sustainability.

What this research has shown is that whilst a clear and simple understanding of the benefits of sustainability in procurement exists in many places, it is not widespread enough yet in healthcare for it to be as effective as possible. To remedy this we need to instil the right leadership to drive it from the top through an organisation, via sufficient awareness, training and support of those who procure and deliver on supply chain management, out to the interactions between buyer and supplier being sophisticated enough to address sustainability risks fully and proportionately.