



London Procurement Partnership

Commercial advantage for the NHS by the NHS



London Procurement Partnership

**Framework Agreement for the Provision of Outpatients Pharmacy
Dispensing Services ref: LPP2016/009**

**Business Case Development Guidance for Outsourcing of Outpatients
Dispensing Services**

Contents

Contents.....	2
1 Introduction	3
2 Business Case Development.....	3

Document Detail	
Document Type	Guidance
Document Name	OPD BUSINESS CASE GUIDANCE FINAL V1.0.DOC
Document Location	S:\LPP\MARC OSBORNE\OPD FURTHER COMPETITION TOOL KIT
Version	V1.0
Date	13/12/2016
Owner	Project Manager, Medicines Optimisation and Pharmacy Procurement
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1 Introduction

With an increasing number of NHS organisations looking to generate efficiencies and service improvements in Outpatient Pharmacy Dispensing (OPD), London Procurement Partnership (LPP) took the decision to procure a framework agreement for the provision of outpatient pharmacy dispensing services LPP. The framework agreement which was awarded for a four year period from 1st January 2017 encompasses the following services within the provision of OPD:

- a. **Outpatient Pharmacy Dispensing services**
- b. **Emergency Department Dispensing services**
- c. **Provision of Retail Pharmacy services**
- d. **Outpatients Pharmacy Dispensing Home Delivery Service**
- e. **Discharge to take out or take away (TTO/TTA) Medicines Dispensing**

The aim of the framework agreement is to enable Authorities to accelerate and streamline the procurement process when outsourcing OPD, thereby allowing for early realisation of benefits. Accessible only through further competition, nevertheless LPP's intention has been to achieve a degree of standardisation of approach whilst enabling trusts to reflect their own requirements in the further competition process.

The framework agreement has been awarded to the following three suppliers:

- Fairview Pharmacy
- LloydsPharmacy
- Rowlands Pharmacy

LPP offers the following guidance re Business Case development to support a decision to outsource outpatients pharmacy dispensing.

2 Business Case Development

Lord Carter's report "Operational productivity and performance in English NHS acute hospitals: Unwarranted variations" includes the requirement that a Hospital Pharmacy Transformation Programme (HPTP) be developed at local, regional and national level. The aims are to increase the amount of clinical time actually spent with patients whilst also reducing the cost of medicines.

The report also requires that NHS trusts that have not currently outsourced their outpatient dispensing services should ensure their HPTP plans include a review of these services and have a plan in place for improving productivity and efficiency, including consideration of alternative supply routes.

Against this background it is essential that any decision to outsource is supported by a robust business case that has the full backing of the trust board. This document provides some guidance as to what should be included in the business case as well

as providing sample documents showing best practice enabling trusts to develop their own business cases drawing on the experience of others.

A word of caution at the outset is that LPP do not recommend that the benefits accruable from outsourcing centre on zero rating of VAT alone. Whilst it is highly unlikely that HM Revenue and Customs will remove zero rating of VAT for medicines dispensed to outpatients by an outsourced provider, this should by no means be taken for granted.

What should be in the business case

An example of the typical contents list for a business case is taken from an example provided by an LPP member trust. This is reproduced here and is quite exhaustive.

Executive summary

Summarising the overall case with key issues from the business case that need to be brought to the fore

Strategic case

This is the strategic reason in terms of the project's contribution to the organisation's strategic plan. Here it is most relevant to include how the project contributes towards the Organisation's Carter driven Pharmacy Transformation Plan. Within this section would typically be included such elements as:

- Objectives
- Scope
- Current state
- Case for change
- Business need
- Deliverables
- Realisation of benefits – here there should be a real emphasis on how the project will release time for patient facing activities in line with the Pharmacy Transformation Plan.
- Measurement of success
- Constraints and dependencies
- Risks and Issues

Economic case

Simply put the economic reasons for the proposal including

- Options, critical success factors and options appraisal
- Determining Value for Money (VfM)
- Preferred option including reasons why

Commercial case

How the organisation proposes to procure the solution. This will include narrative on why the organisation has chosen a framework agreement solution as well as an assessment of the supplier market

Financial case

How the organisation will pay for the solution including funding source and agreement, impact on income and expenditure and overall affordability

Management case

How the organisation will manage the process including project management arrangements, post project evaluation plan and benefits realisation plan

Recommended way forward

How the organisation wishes to proceed

How detailed does it need to be

The level of detail required will vary from organisation to organisation and will depend on whether it is a contract renewal or a proposed change to current delivery. Typically reports need to be detailed enough to demonstrate the appropriate level of consideration and assessment has been given to the proposed solution. At the same time the report must enable board members to make decisions as to how to proceed. Including an executive summary that summarises the case in such a way that an easy and quick assessment of the requirement can be made by directors is key to the process.