

# Chapter 11

## Innovative Processes and Managerial Effectiveness of e-Procurement in Healthcare

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### ABSTRACT

*Procurement reform, launched in the last few years, offers prospects of consistent and permanent expense saving. The urgency to reduce expenses and achieve a recuperation of efficiency of the public sector suggests the intervention of modernization and reorganization of the acquiring procedures of goods and services of the public administration. This work describes how the new models function, which indicates an important step forward in the reorganization process of the procurement procedure of the public administration, not only in terms of a “new model of management,” but also relative to the “burden,” in terms of contributions towards saving, which is foreseen. The results obtained in terms of savings, the simplification of the procedures of procurement, and initially the levels of service of the State Sector suggest the extension of the new procedure even to other compartments of public expenses, amongst which the healthcare system, whose reform of the policies of acquisition is called upon to combine with both the objectives of public finance and the objectives of re-qualification of the health authority.*

### INTRODUCTION

Currently, the healthcare system finds itself in a problematic situation, subject to contrasting motivations. Healthcare expenses continue to rise, while the government must respect budget constraints that are becoming more restrictive. Meanwhile, the demand for public healthcare ser-

vices that are more technologically advanced and of a better quality are increasing. In this context, e-procurement is seen as an instrument capable of answering, at least partially, the first element of this dilemma.

Even so, there are not many initiatives of e-procurement in the healthcare sector, and in the majority of the cases they have not yet produced the expected benefits. The main reasons for this are: the complexity that characterizes the purchases in

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healthcare due to the large diversity of the goods dealt with; the large number of suppliers; and the fact that in public administration the introduction of information technology traditionally encounters difficulty.

Healthcare offers, in respects to the rest of the public administration, critical and specialized services, and more so than in other sectors, it is fundamental to safeguard standards of high quality for many goods and services acquired, for their impact on the quality of the services, together with: the efficiency and punctuality of the purchases; the transparency of the activity; and respect of the principles of competition. Healthcare expenses for goods and services can be classified into three sections: communal to all the public administration (ex.; telephone, office material); communal-differentiated, which can be found in all the administrations, but is very diverse based on the acquiring sector (in health, for example: maintenance and cleaning of hospitals); specific healthcare, composed of drugs and medical devices.

This diversity must be taken into consideration while conceiving innovative modalities for the procurement.

The major difference among the three categories of expenses indicated and the availability of different electronic instruments calls upon a deep reflection on which is the better solution for each type of good/service.

Secondly, the term “procurement” is often used in a restrictive sense, associated only to the acquisition phase. Consequently, the term “e-procurement” becomes a synonym of a class of electronic instruments that directly connect buyers and sellers on the same network in order to close a contract. For our purposes, “procurement” indicates a more ample processes, that starts from the need of a good/service and ends with its use and the payment for its supply, including planning the purchases, individualizing the suppliers, the act of acquisition, receiving the material,

the logistics of storage, stock management, and invoice management.

The solution of e-procurement include a redesign of the processes and use of suitable instruments in order to trim down the entire process of procurement, and consents a relationship between the supplier and buyer that is almost “made to order,” in that each subject that operates internally in the public structure has the possibility to interact directly with the supplier. This system is clearly permitted by the information systems (e-mail and web pages), that interconnect the subjects through a networked structure (inter-networked communications).

The subjects involved in the process of e-procurement are essentially five (Witting, 1995):

1. The final client/user, that is the “public administration client” (central public administration or local department) that has the need for the goods or services;
2. The procurement company to which the centralized acquisitions and the stipulation of the conventions with the suppliers have been delegated;
3. The supplier;
4. The public offices delegated with carrying out the payments;
5. The financial institutions (banks).

Through the model of e-procurement, the response times of the public administration are much faster, as they are through direct contacts (dedicated Internet pages and e-mail addresses) between the supplier and the public administration itself or the subject delegated to the acquisitions (Figure 1).

The suppliers find the information relative to calls for proposals on the websites; they can download the documents and the modules, eliminating the long wait times characterized by the normal procedure of the dispatch of paper material. The instruments of Information Technology utilized by the model permit the technical

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