
12th Annual Healthcare Conference
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Procurement Algorithm
Gary Folker

MPD Committee- Procurement Task Force

"The purpose of the ITAC Health MPD Committee-Procurement Task Force is to evaluate the current state of IT procurement for healthcare initiatives and to provide recommendations to the ITAC Health board on ways to streamline and rationalize the procurement process so value is enhanced for all stakeholders."

Task Force Members

Gary Folker

Eric Gombrich

Andrew Holt

Dale Gregg

Mike Hren

Jeff Barnett

Brian Shorter

Pam Ferenbach

ITAC Staff Support

Elaine Huesing

Brendan Seaton

Orion Health

Consultant

Alpha IT

Ormed Information Systems

KPMG

BC Cancer

Consultant

Oracle Corporation

ITAC Health

ITAC Health

- An objective means of assessing the relative value of *procurement processes* (not the goods / services being procured) could be utilized to force conversation with all stakeholders regarding what adds value, and what detracts value in procurements
- Goal: The Task Force will develop just such an algorithm

The Variables

Variable	Moniker	Definition	Value
Benefitting Population	EP	Population who benefit from solution	↑
Total Contract Value	TCV	Total Spend during term of contract	↓
Total Contract Term	TCT	Length of initial contract (days)	↑
# of Accepted Bids	B	# of Bids technically accepted	↑
RFx Development Time	T2	Days from Budget Approval to RFx Release	↓
RFx Response Time	T3	Days from Release to Close	↓
RFx Review Time	T4	Days from Close to short list or VOC	↓
Contract Time	T5	Days from VOC to Executed Contract	↓
Total Time	TFx	Total RFx Time	↓
Implementation Time	T6	Days from Contract Execution to Full Productive Use	↓
Reference Factor	R	# REFERENCES (No - 1, Global - 2, Canadian - 3, Provincial - 4)	↑

The Value Algorithm

$$\text{Relative Score} = \frac{\text{TCV} + ((\text{EP})(\text{B}/\text{R}))}{(\text{TFx}^2 + \text{T6})(100)}$$

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“Use” Example

- **Procurement 1: \$5 mil IT system for a Province of 3.5 million people to be useful for 10 years; 48 month contract; 18 months to implement.**
- **Procurement 2: \$10,000 for toilet paper @ \$0.35 / roll for 400 bed hospital running @ 100% capacity; 1 roll per bed per 2 days; 1 patient per bed per day.**
- **Procurement 3: Microsoft SPLA license for above hospital, 2200 users, for 1 year .**

	Pr 1	Pr 2	Pr 3
Benefitting Population	1,000,000	57,143	146,000
Total Contract Value	\$ 5,000,000	\$ 10,000	\$ 40,000
Total Contract Term	1080	180	360
# of Accepted Bids	6	25	5
RFx Development Time	120	7	7
RFx Response Time	45	7	7
RFx Review Time	30	14	7
Contract Time	60	3	3
Total RFx Time**	255 (180)	31	24
Implementation Time	180	7	1
Reference Factor (1, 2, 3, 4)	1	4	4
Relative Score	1.686987194	3.792798111	3.85615251
Relative Score **	3.376304481	3.792798111	3.85615251