CENTRALISATION OF THE SUPPLY CHAIN FOR HIGH COST TARIFF EXCLUDED DEVICES

NHS England will be launching the centralised supply chain and procurement for high cost tariff excluded devices on 1 April 2016. This is an important development to improve the benefits that the NHS gets from its considerable investment in high cost tariff excluded devices each year in terms of value for money, reduced bureaucracy and the adoption of effective new technologies.

Currently NHS England spends £0.5 billion a year on devices such as implantable cardioverter defibrillators (ICDs) for people with abnormal heart rhythms, bone-anchored hearing aids and bespoke prosthetics. There are wide variations in the prices Trusts pay for the same products and in the rates of adoption and usage of devices across the country.

By developing a single national approach for purchasing and supplying these devices – taking advantage of economies of scale and reducing price variation – we estimate we can deliver material savings on the devices we are currently buying.

In future, we also believe that a national supply chain will improve access for patients to new technologies by allowing novel and effective devices to be adopted quickly, easily and at the best price, as well as ease the bureaucratic burden on providers.

There will be no restriction of product use on introduction of the new system. All products currently used will be put into the new system. It should see improved clinical practice and device optimisation, as clinicians will be able to choose the best device for the patient based on evidence.

As part of this development we are pleased to announce that NHS Supply Chain has been appointed as our supply chain partner to operate the new centralised supply chain on behalf of NHS England.

A summary of the new arrangements is outlined below in terms of the devices covered, the transactional model and the plans for implementing the new system.

The new arrangement will be operated under a transactional model involving zero cost to healthcare providers, as shown in the diagram below:

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The new arrangement will be operated under a transactional model involving zero cost to healthcare providers, as shown in the diagram below:

Diagram 1 Zero Cost Transactional Model
Providers of NHS funded healthcare will place orders for high cost tariff excluded devices with NHS Supply Chain. NHS Supply Chain will then place orders with suppliers who will deliver devices to healthcare providers. NHS Supply Chain will invoice NHS England for the device. This arrangement will be transacted through an e-direct route.

The new system covers all existing suppliers to the NHS across the full range of current devices. NHS England and NHS Supply Chain will work with suppliers and healthcare providers to ensure that appropriate new devices are added to the online catalogue in a timely manner.

The arrangement covers all high cost tariff excluded devices set out in the List of High Cost Devices in the 2016/17 National Tariff Payment System, however, the initial implementation will focus on the following 17 categories:

| 3 dimensional mapping and linear ablation catheters (complex cardiac ablation) | ICD with CRT (Cardiac Resynchronisation Therapy) capability |
| Aneurysm coils and flow diverters for intracranial aneurysms | Intracranial stents |
| Bespoke orthopaedic prostheses | Intrathecal drug delivery pumps |
| Circular external fixator frames | Maxillofacial bespoke prostheses |
| Bone anchored hearing aids | Occluder, vascular, appendage and septal devices |
| Carotid, iliac and renal stents | Percutaneous valve repair and replacement devices (mitral/pulmonary valve) |
| Deep brain, vagal, sacral, spinal cord and occipital nerve stimulators | Peripheral vascular stents |
| Endovascular stent graft | Radiofrequency, cryotherapy and microwave ablation probes and catheters |

The first phase of implementation will be focussed on the 57 healthcare providers that account for over 90% of high cost tariff excluded devices purchased each year. These healthcare providers will be contacted shortly by the NHS Supply Chain implementation team.

A later, second wave of implementation will see the remaining Trusts join in. The aim is for every Trust performing operations using these high cost devices to be using the new system by the end of 2016.

NHS Supply Chain will also be contacting suppliers of high cost tariff excluded devices to discuss the new arrangements.

All providers who implant NHS-funded high cost tariff excluded devices will be moved to the new system and this is being reflected in the NHS Standard Contract 2016/17 and the 2016/17 National Tariff Payment System. However, in accordance with “Improving Value for Patients from Specialised Care, Commissioning Intentions 2016/2017 for Prescribed Specialised Services” NHS England will be honouring the terms of existing supply agreements entered into prior to 1 October 2015 pursuant to a lawful procurement process.
Therefore for a number of healthcare providers there will be a dual system of devices supplied under the zero cost transactional model plus existing contracts that will be reimbursed on a pass-through basis as per the 2016/17 National Tariff Payment System. There will also be a period of transition as the new arrangement is implemented across the system.

The central supply chain for devices is scheduled to operate until September 2018 when it is expected that the new transformed arrangements for NHS-wide procurement will be in place.

A national webinar is also being arranged during April 2016 to provide an opportunity to learn about, seek clarification and discuss the new system for purchasing and supplying high cost tariff excluded devices. The webinar will be recorded and made available for those unable to attend.

For further information regarding the overall initiative or general matters please email:

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