OPINION

A success story of strategic capital procurement model for medical equipment

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Linn B. A success story of strategic capital procurement model for medical equipment. J Biomed Eng: Curr Res. 2022;4(1): 05-06.

INTRODUCTION

The design of each new hospital site is followed by decisions on the most fitting standard of biomedical equipment, which greatly impacts the design of the hospital departments under renovation. Ideally, given a set of demographic and social requirements of the hospital and international legislation and guidelines, the most suitable biomedical equipment should be determined. The systematic method of purchasing goods and services is purchasing. The buying process can vary from one NHS agency to another for medical equipment and facilities but there are certain main aspects that are widespread throughout. The system normally begins with a 'Demand' or specifications - this may be for a tangible component (inventory) or a service. A standard is produced that specifies the specifications (in some instances, including a specification of requirements) that the procurement department performs. Then an RFP or RFQ (request for proposal or Request for quotation) is raised. In response to the RFQ, vendors submit their quotes and an analysis is conducted where the buying order is presented with the best bid (typically based on price, availability and quality). Admiring nature's exuberance through the glass windows of Azure Hospitals Group, Dr Joseph Mathew, Chairman of the group, was going through the files of records of a project that the hospital was running for one of its trust hospitals. Since he is the chairman of the trust hospital, these files had come to him for his final approval and signature. He noticed a problem while he was checking the record. He immediately called Mr. Tabish Khan, Project and Capital Procurement head of the hospital, to discuss the findings in the financial reports that were perturbing him. Mr. Tabish immediately reached Dr. Joseph Mathew's office, a quiet and well-organized place with a glass table at centre, loaded with documents and two cups of hot tea. Dr Joseph Mathew handed a file having the documents of the current project and started explaining him his concern. He said: "The cost of Medical Gases Pipeline, Medical Compressed Air & Medical Vacuum Installation (henceforth referred to as MGPS Installation) to the functional areas in JRI hospital and providing and maintaining of various types of Operation theatre for Joseph Research Institute (JRI) is significantly high when compared to similar kind of expenses we suffered at one of our other hospitals two years back. I believe that if managed efficiently this expense can be significantly brought down. I would suggest you to look into this case." Dr. Joseph Mathew wanted to validate the entire costing of this project. Mr. Tabish confirmed the prices to be exuberantly high and ensured to come up with solution within a day or two. He then went back to his office and started studying the project sincerely. JRI is a Cancer Research Institute and one of the largest cancer care centres of country with modern cancer facilities for diagnosis and treatment. It is a consolidation of specialities in surgical oncology, medical oncology, radiation oncology, preventive oncology, radio-diagnosis and nuclear medicine, palliative medicine, laboratory and transfusion medicine, pathology and microbiology. It has a dedicated research wing which is exclusively involved in basic and clinical research, research training, teaching and interdisciplinary advanced diagnostic and interventional equipment to achieve good quality patient care. The first phase of new building had 600 beds dedicated for adult and paediatric cancer patients. The institute had ultra-modern five modular Operation Theatres (OT), fifteen new OT along with minor OT equipped with state-of-the-art gadgets required for all the types of major and minor surgeries for cancer patients. After complete execution of master development plan of second phase, the hospital indoor strength was expected to be 1500 beds. The project was to provide the Piped Medical Gases, Medical Compressed Air & Medical Vacuum Installation (henceforth referred to as MGPS Installation) to the functional areas in the newly built JRI hospital as well as preparation of OT. Medical Gas Pipeline System (MGPS) is intended to be a safe, convenient and cost-effective way to dispense gases and works as a reliable alternative to the use of "portable" cylinders, portable compressors and portable suction units, providing gas or vacuum for clinical needs without the associated problems of porterage, noise and space wastage. It delivers medical gases, medical air and other gases from the source of supply to the appropriate terminal unit by means of a pipeline distribution system. The 120-125-page tender had mentioned all the technical as well as financial specifications for attracting the best quality of service providers. On close observation by him and his team, it was found that the specification that were mentioned in the tender were rigid for most of the interested vendors, turning them ineligible for bidding. This made the whole scenario into a monopolistic market. He decided to immediately call a meeting for all the interested vendors to know the details about the reason of their ineligibility and nonparticipation in the bidding for the tender. He commanded his assistant to write an invite mail to all the interested vendors for pre-bid meeting. Eight vendors showed up for the MGPS meeting and two vendors did not attend the meeting but sent the queries in hard copy. Similarly, nine vendors showed up for the meeting regarding Operation theatre provision and maintenance and two vendors did not attend the meeting but sent the queries in hard copy. In this meeting the interested vendors kept their opinions in front of the board for their reasons of holding back from the deal. They were given three days' time to submit these queries in written format through an e-mail to the project manager. No queries after the given time period were entertained. The details of the queries raised by the vendors is given in Annexure. Mr. Tabish Khan scrutinized all the queries and tried to make the changes such that the desired quality of services required is maintained as well as a competitive market is created, attracting a greater number of eligible vendors, who can compete for the best price as well as quality. Considering all the loopholes in the existing tenders as well as keeping in mind the queries raised after the pre-bid meeting, Mr. Tabish Khan drafted afresh tender with fifty-seven changes. Amongst these fifty-seven changes, the details of major changes made in the existing tender are mentioned in Annexure. The original tender was divided into two sub-tenders for Medical Gas Pipeline and Operation Theatres. Their respective servicing and maintenance requirements were also divided in respective tender. Initially there was dissent by the vendors who were eligible for the tender. Later Dr. Joseph Mathew had to intervene and later with the consensus of all the senior heads these conflicts were comp laced and these suggestions were forwarded to the chief engineer at JRI. Early morning 5:00AM the chief engineer of the JRI Hospital opened his laptop. He saw a notification of an email lying at the top of his screen. He immediately opened the mail and started going through it. It took him around two hours to go through each and every detail and collaterally make a note in his small diary that he carry with him to his office. He then rushed to office and called for a meeting with the project management department of JRI at 10:00Am. In the meeting he was able to convince all the members that the changes suggested are futile and gratuitous. The tender was forwarded back to Dr. Joseph without making any alterations, that were mandatory, according to

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Received: 20-Jan-2022, Manuscript No. pulbecr-22-4355; Editor assigned: 22-Jan-2022, PreQC No. pulbecr-22-4355 (PQ); Reviewed:15-Feb-2022, QC No. pulbecr-22-4355(Q); Revised:28-Feb-2022, Manuscript No. pulbecr-22-4355(R); Published:10-Mar-2022; DOI: 10.37532/pulbecr.22.4(1).05-06

Mr. Tabish Khan. Dr. Joseph Mathew went through all the documents once again and got disappointed when he found that there was no change in the outcome that he was expecting. Dr. Joseph Mathew called Mr. Tabish Khan next day and asked him catch on the root cause to this incident immediately. Mr. Tabish Khan found that the Chief Engineer was adamant enough to digest the suggestions of Mr. Tabish Khan. This was a serious concern and instantly needed to be taken care of. He explained Dr. Joseph the entire situation and suggested him to take the helm of the situation to make required decisions. Dr. Joseph took the lead and set the seal on the tender. A mail was generated explaining the entire bidding process as well as well-described tender attached to the mail and this mail was forwarded to the vendors who had attended the meeting. The biding process was supposed to be held online and the interested vendors were expected to raise their bids within a mentioned time period. After the biding period it was the time of showcasing the results. The entire team had come to office earlier than usual. All the members were sitting in the conference room with their fingers crossed. One of the heads of department was asked to download all the data and start analysing that. He opened the data and started going through it immediately. The entire data was compiled and compared and entered in a presentable format. He knocked the door of Mr. Joseph's cabin and entered. He observed that Mr. Joseph was excited to check the outcomes. He immediately showed the presentation to Mr. Joseph and Mr. Joseph stood up from his chair and went with his laptop, to the conference hall, where the meeting was scheduled. Without wasting a single minute, he opened the meeting with a welcome speech and instantly jumped to interpreting the analysed data. Observing the graphs and charts of process the members got excited and started applauding. The costing that was initially around INR52 Crore all of sudden had plunged down to INR18 crores which is savings of around INR34 Crore. This was a big achievement for the year and everyone started praising Dr. Joseph. Dr. Joseph thanked everyone for the acknowledgement but back of the mind he knew that it would not have been possible without the contribution of his dedicated team members like Mr. Tabish Khan. This case is an ideal example of techno-commercial negotiation where the stakeholders on both sides have come to a consensus and created a win-win situation. It gives a learning that every stakeholder in a deal is equally important and opinions of each and every member must be respected. Moreover, it demonstrates the benefits of a competitive market over a monopolistic one. If it had been the monopolistic market where only one vender was eligible as per the prerequisites than he had the scope of pricing as high as he could. But bringing more venders into picture this scenario was controlled. This shows how one innovative idea in the strategic project management and capital procurement helped the business to get a big difference in financial outcomes.