



Lakes District Health Board
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8 January 2014

Julie Hands

Email: fyi-request-1352-a9f21201@requests.fyi.org.nz

Dear Julie

Subject: Official Information Request Re: hip revision surgeries

Thank you for your request for information under the Official Information Act. Please see answers to your questions below.

1) Procurement Policy for medical devices

See attached Lakes DHB's policy.

2) Funding Policies for medical devices including when manufacturers will get paid (ie before surgery, upon receiving implant) with specific reference to custom devices.

Lakes DHB does not have a policy on this.

3) How many hip revision surgeries involving an acetabular component for each year for last 5 years 2012 in region? If not available, just 2012.

This information will take a significant amount of time to collate and will entail a charge. Lakes DHB applies the "Ministry of Justice Charging Guidelines for Official Information Act Requests" when charging for staff time and resources expended to comply with requests under the Official Information Act.

It is estimated that it will take at least 12 hours to compile the information you have requested. Therefore at the accepted rate of \$38 per half hour of staff time the charge associated with this request is estimated to be a minimum of \$ 912.00

This request will be placed on hold until we receive your authorisation to proceed based on the above estimated charges.

In the event that you disagree with this decision you may, under section 28(3) of the Act, seek an investigation and review from the Ombudsman. Please see:

<http://www.ombudsman.parliament.nz/make-a-complaint>

4) How many patients received a re-revision surgeries in the past five years? (ie it was their second or third + revision surgery).

See question 3

5) How much was spent on acetabular implants in revision surgeries over each year for last five years? If not available just 2012.

This information is unknown.

6) What is the average costs of running an operating theatre per hour (minus staffing costs)?

The average per hour excluding staff is \$583.00 based on 2013 fiscal year actuals

7) Total operating theatre costs for revision surgeries in 2012?

Not sure if this is hip revision surgery or all surgical revisions.

8) How long on average does a revision hip arthroplasty take?

The average procedure time was two hours and 16 minutes, average anaesthetic time was 2 hours 56 minutes based on current year actuals.

9) How much was spent on rehabilitation after hip revision in 2012?

See question 3

10) What is the cost of a day of rehabilitation for a hip surgery?

Non ACC under 65 years \$551.99 excl. GST

Non ACC over 65 years \$681.79 excl GST

ACC \$678.43 excl GST

Yours sincerely



Ron Dunham
Chief Executive

Cc sectorOIAs@moh.govt.nz

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TITLE: Procurement Policy

1. Statement/Purpose/Description

The purpose of this policy is to:

- Outline the overarching principles to be followed when selecting goods or services and negotiating contractual arrangements with suppliers.
- Promote financial and commercial best practice in the procurement of goods and services.
- Minimise the associated commercial or contractual risk.
- Meet public law obligations by ensuring fairness and transparency of process.
- Obtain a true market / best price, taking into account the concepts of value for money and the total cost of ownership.

2. Scope

This policy covers the procurement of all goods and service activities within the provider arm of LDHB.

This policy is to be read in conjunction with the LDHB Delegations Policy (LDHB 40549), which stipulates the individual purchasing and contracting authority of LDHB staff. No employee or designated agent of LDHB may commit LDHB to any financial obligation, or incur any liability on it's behalf, unless authorized to do so through the Delegations Policy.

Standards of conduct are to be followed per the following policies

- Probity Policy (LDHB 90298)
- Sensitive Expenditure Policy
- Employee Conflict of Interest Protocol –including secondary employment (LDHB 59433)
- Fraud Policy (LDHB 83625)
- Equipment Trials and Evaluation Policy (LDHB 68149)
- New Contract Policy (LDHB 38969)
- Contract Renewal Policy (LDHB 38916)

Procurement procedures must be followed as prescribed in the following procedural documents:

- Purchasing Procedure (LDHB 38523)
- Capital Expenditure Procedure (LDHB42521)

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- Tendering Policy and Procedure (LDHB 38531)
- Request for Proposal (RFP) Procedure (Funder) (LDHB 39554)

This policy does not apply to IEA or CEC employment contracts or clinical labour employment contracts unless specifically directed by the General Manager of LDHB.

3. Definitions

LDHB	Lakes District Health Board
LHMT	Lakes Health Management Team
TCP	Tender and Contracts Planner
FM	Facilities Manager
FinM	Finance Manager
CFO	Chief Financial Officer
RFI	Registration of Interest
RFP	Request for Proposal
Probity	Uprightness, honesty, proper and ethical conduct

4. Standards To Be Met

4.1 Legislation

The Lakes District Health Board (LDHB) was created under the Health and Disability Act 2000. In carrying out the purchasing function LDHB will comply with all relevant legislation related to the commercial purchase and sale of goods.

4.2 Purchasing Ethics / Probity

All staff at LDHB who, as part of their role, are involved in the supply cycle, particularly purchasing decisions, will strive to uphold the highest standards of ethical practice in all their dealings with suppliers and will endeavour to maintain fair and unbiased commercial practice. This includes:

- Maintaining a high standard of integrity and impartiality in business relationships and dealings.
- Guarding against all influences which may compromise their independence when making a purchasing decision.
- Ensuring their authority to act on behalf of LDHB and never to the advantage of the staff member.
- Staff must disclose in advance, and in doing so must be removed from, any purchasing decision in which they could be seen to personally benefit directly or indirectly in some way. Staff have an obligation to declare personal interests to the LDHB Chief Executive Officer, Facilities Manager, General manager or Service Manager even if they consider the possible benefit or other gain to be remote.

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This will ensure transparency of practice and avoid charges of unfair influence in a supply decision. (refer to Probity Policy LDHB90298 & Employee Conflict of Interest Protocol-Including Secondary Employment LDHB59433)

- Fraudulent purchasing practices will be investigated by LDHB in terms of the Staff Conduct HR policy and, as appropriate, may lead to formal disciplinary practice (se Fraud policy).

4.3 Financial Delegation and the Responsibilities of All LDHB Staff. Delegations

Lakes DHB Financial Delegations Policy, (LDHB 40549) applies to all purchasing decisions. All purchasing activity will be audited according to the Financial Delegations Policy. Furthermore, all staff are obliged to submit all goods and services requirements through the appropriate purchasing system. This requires all goods and services to be submitted through the electronic requisitioning with the exception of those few controlled items that are limited to the non-purchase order list.

Tenders

Tenders are required (qualify) for all goods and services when:

- There is a total project value equal to or in excess of **\$100,000 (plus GST)**, or
- There is an anticipated spend with one supplier of one product or service, or a generic range of products and services, that is equal to or in excess of \$100,000 (plus GST) in any 12 month period, or
- Where, in the opinion of any member of the LDHB Management Team, and in agreement with the Facilities Manager, the purchase of other goods or services should be conducted in accordance with this procedure.

Tenders are to conducted as per LDHB Tendering and Policy Procedure (LDHB38531)

Departure from Contestable Process

Exceptions from following this policy for the procurement of goods and services will only be made when there are sound, well-documented reasons. These reasons must be approved by the CFO and must be consistent with the Auditor General's Procurement Good Practice Guidelines.

Departure from established process may be justified in the following circumstances:

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Circumstance	Description
Emergency Procurement:	For clinical or employee safety reasons, to address other risk issues urgently or if the DHBs are likely to suffer financially because of the emergency situation. Note that poor planning is not in itself a sufficient reason for not conducting a contestable process if it would otherwise be required.
Disproportionate Procurement Cost	The cost of the procurement process is likely to be disproportionate to the value or benefits likely to be gained.
Contract Privity	Parties to a contract make available to other parties a right to take up a contract at the same or very similar beneficial conditions and there is suitable information available to confirm that the proposed arrangements are commercially advantageous.
Closed RFP	Selected suppliers are invited to submit proposals for goods or services. Frequently the result of a RFI process. If not preceded by a contestable RFI process then there must be very good reasons for limiting the number of potential respondents to an RFP/Q.
Monopolistic Market	Only one supplier available in the market place and there is adequate evidence to demonstrate that this is the case.
Standardisation or compatibility with existing products or services	It is often in the interest of the DHBs to standardise the range and choice of goods and services used within the DHBs and where appropriate within the Auckland region to achieve cost savings and to ensure integrated service provision.
Extending Contracts	Recognition and acknowledgement of good performance is supported by the DHBs. This may be done when an incumbent, selected through a competitive process has performed well against managed targets through the term of the contract, continues to provide value for money and it can be demonstrated the market conditions have not changed substantially. This principle may apply without having previously negotiated a Right of Renewal (RoR) in the existing contract.
Optimising Aggregation of Volumes	This may be done as part of a procurement process and may also be added to or subtracted from a contract during a term contract, where additional products or services are identified and sit logically with an existing supplier or contract. This also applies to items that are purchased from a preferred supplier not under contract, bundled to become part of an existing contract. In order to maximise the benefits of a contract it may be appropriate to Disaggregate Services (unbundled) and/or Aggregate Volumes (bundle).

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Trials / Evaluations

Where an item is to be evaluated on fitness for purpose outside of the purchasing department then these personnel will act as agents of the purchasing function in ensuring the purchasing policy is adhered to.

Trials will be conducted in accordance with the Equipment Trials and Evaluation Policy (LDHB 68149).

Personnel with no delegated authority will not imply to a supplier that they have the authority to commit LDHB to any supply commitment.

4.4 Responsibilities

4.4.1 The Facilities Manager is responsible for the maintenance and interpretation of this policy. The DHB Executive and the LHMT are responsible for the implementation and adherence to this policy.

4.4.2 The purchasing department has a prime responsibility for purchasing all required goods and services and for negotiating the most favourable terms and conditions consistent with quality specifications and delivery requirements for all main stores (inventory) stocked goods.

For non-inventory goods, whose quality and ordering pattern is determined by the end user, the prime responsibility remains with the end user and their management. By adhering to this policy, and seeking timely advice from purchasing as needed, end users will ensure the outcomes in 1.0 above.

4.4.3 Purchasing activities will be conducted in accordance with the LDHB Purchasing Procedure (LDHB 38523)

4.5 Training and Competencies

Staff involved in procurement activities should have the necessary competencies and receive appropriate training.

4.6 Market Considerations

When undertaking procurement activities regard must be given to the impact any decisions may have on the marketplace. Consideration should be given to potential issues of market dominance (eg Commerce Act requirements) as well as the need to ensure supplier sustainability and longer term choice options within the market.

Syndicated procurement should be considered when other DHB's are considering purchasing the same items at the same time and it is economically viable to combine procurement effort.

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4.7 Legal Considerations

DHBs can be subject to judicial review proceedings, Ombudsman investigations and other types of review or legal action. It is important that procurement practices comply with relevant statutory and legal requirements at all times. Failure to adhere to appropriate requirements can have serious financial and reputational consequences for the DHB.

4.8 Record Keeping

Full and accurate records should be kept of all aspects of the procurement process inline with the relative purchasing procedures.

Depending on the nature and size of the procurement project a procurement plan may be required. This may be developed prior or subsequent to a decision to proceed with a procurement.

4.9 Consultation

DHBs have specific legal responsibilities to undertake consultation in relation to a number of activities, including proposed significant changes to the range and type of services offered, access to those services, policies, outputs and funding. There are also general obligations under the New Zealand Public Health and Disability Act which may mean that consultation is required in other situations. Prior to undertaking any procurement process careful consideration must be given to the nature and extent of any consultation that may be required. Expert advice should be sought and any consultation or community engagement policy must be closely followed. This may include notification to current or potential suppliers in the market.

5. Equipment Used

N/A

6. Points to Note

- Risk: Lakes DHB is averse to risk. Any risks associated with purchasing should be recorded on the risk register and managed appropriately.

7. Related Documentation

- Lakes DHB Financial Delegations Policy, (LDHB 40549)
- Lakes DHB Purchasing Policy (LDHB 38523)
- Capital Expenditure Policy (LDHB 42521)
- Non-Disclosure & Conflict of Interest Declaration (attached)
- Probity Policy (LDHB 90298)

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- Employee Conflict of Interest Protocol-Including Secondary Employment (LDHB 59433)
- Conflict of Interest Declaration Form (LDHB 59433)
- Gift / Hospitality Declaration Form (LDHB 115784)
- Purchasing Procedure (LDHB 38523)
- Equipment Trials & Evaluation (LDHB 68149)
- Fixed Asset Management Protocol (LDHB 38470)
- Provider Selection Procedure (LDHB 38998)
- Request for Proposal (RFP) procedure (Fund) (LDHB 39554)
- New Contract Policy (LDHB 38969)
- Contract Renewal Policy (LDHB 38916)
- Probity Policy (LDHB 90298)
- Sensitive Expenditure Policy
- Fraud Policy (LDHB 83625)
- Contract Renewal Policy (LDHB 38916)

8. References

- Procurement. A Statement of Good Practice. Office of the Auditor General, June 2001
- Government Procurement in New Zealand. Policy Guide for Purchasers. Ministry for Economic Development, July 2002
- Mandatory Rules for Procurement by Departments. Ministry for Economic Development, May 2006
- Managing Conflicts Of Interest: Guidance for Public Sector Entities Office of the Auditor General Guideline.

Prepared by Facilities Manager

Endorsed by: Facilities and Finance Teams

Authorised by: Chief Executive Officer

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