Competitive Dialogue

State Procurement Board Procurement Forum
Tuesday 31 May 2016
The new Royal Adelaide Hospital

- The $1.85 billion new Royal Adelaide Hospital is currently under construction, to be completed by 2016.

- There are 700 single inpatient bedrooms with en-suite bathrooms and 100 same-day beds.

- Approximately 6,000 staff will work at the new Royal Adelaide Hospital.

- The new RAH is one of the biggest and most complex projects for the South Australian Government and will require significant governance oversight in order to deliver the benefits for the SA health system.

- The new RAH model of care will transform both the range and quality of patient and staff experience and will be linked to other innovative programs (i.e. EPAS, Robotics etc.) to ensure that the health reform programs continues to contribute to improvements in the health system.

- The new RAH has been procured under a Public Private Partnership (PPP).
Procurement FF&E and BME

The responsibility for procuring FF&E on the new RAH project is broken down into two categories, Clinical & Non Clinical.

Clinical FF&E will be procured by SA Health
- Clinical FFE include MRI imaging equipment, theatre pendants/lights, patient beds & medical trolleys.
- The procurement of clinical equipment has been undertaken via the usual South Australian Government procurement process and through the SA Tenders and Contracts Website.

Non Clinical FF&E has been procured by SA Health Partnership (SAHP).
- SAHP is responsible for the financing, design, construction, commissioning and facilities management of the new facility. The design and construction is being undertaken by Hansen Yuncken and Leighton Contractors (HYLC) in a joint venture. Facilities management services will be provided by Spotless and ICT Services by Hewlett Packard.
- Non-Clinical generally covers furniture such as systems furniture (chairs, tables, workstations, etc), storage (racking, shelving, cabinets, etc.) as well as appliances (washing machines, dishwashers & fridges).
- Procurement of non clinical FF&E will be completed by SAHP through its website.
State’s Requirements under the Project Agreement

The PA for new RAH requires tight timeframes to be met by the State and all of those timeframes have an impact on SA Health Procurement and Supply processes. The deliverables of the Procurement work stream include:

- Select and procure 2B (fixed) and 3B (mobile) FF&E
- Select 2BT (fixed) and 3BT (mobile) FF&E for transfer to the Facility
- Deliver 3B and 3BT FF&E to the loading dock of the Facility
- Deliver the 2B and 2BT FF&E to the Facility and install the 2B and 2BT FF&E in the Facility.
- Develop a sub plan for all aspects of all State FF&E including identification, tendering, procurement, storage and installation that is commensurate with the Builders’ Master Works Program.
- Identify the need for staff to undertake installation and commissioning work in all FF&E sub plans and to ensure that the resource is identified and included in the budget plan.
There are over 1270 different equipment types, these have been classified as either 2B or 3B.

There are approx. 10373 total quantities to procure.

FF&E has been broken down into a bundle list of like products.

These bundles have been going to the market through the SA Tenders Website over the last two years.

Each bundle has gone through a Simple or Detailed Procurement Process depending on the total cost of the bundle.

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<thead>
<tr>
<th>Bundle Number</th>
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Competitive Dialogue

What is Competitive Dialogue?

“Competitive Dialogue” is a procurement approach that has the potential to reduce the time to complete large-scale complex procurements, by enabling the purchaser to enter into detailed discussions once market and vendor capability has been determined.

It differs significantly from more traditional approaches (such as an RFP) as specifications are developed and refined with each supplier during the procurement process.
Competitive Dialogue at the New Royal Adelaide Hospital

• A competitive dialogue process was selected as the procurement strategy for the supply of pendants, lights and clinical digital integration for the new Royal Adelaide Hospital. The reasons for this were:
  > Large requirement across multiple departments and locations within the facility
  > Complex equipment
  > Large stakeholder group
  > New and rapidly changing technology
  > Design constraints of the building

• All of which created challenges in developing an appropriate specification and all under enormous time pressure and the auspice that any delay to the Builder would incur damages of $1m per day.
Competitive Dialogue

Competitive Dialogue was comprised of a 2 Stage Process

STAGE 1

Determining Capability
(timeframe: 2 weeks)

Focus of this stage was to shortlist respondents to a smaller number.

Outcome of Stage 1 was to shortlist vendors who would be asked to progress to, and participate in, Stages 2A and 2B

STAGE 2

2A: Interactive Engagement
(timeframe: 4-8 weeks)

Session 1: Interim Evaluation

Session 2: Site Visits

Session 3: Agree Final Specification

2B: Best & Final Offer
(timeframe: 4 weeks)

Re-issue revised specifications to short-listed vendors and receive Best and Final Offers from remaining short-listed vendors.
**Competitive Dialogue Process**

**STAGE 1**

**Determining Capability**
(timeframe: 2 weeks)

Focus of this stage is to shortlist respondents to a smaller number.

Outcome of Stage 1 will be a short list of vendors who will be asked to progress to, and participate in, Stages 2A and 2B.

**STAGE 2**

**2A: Interactive Engagement**
(timeframe: 4-8 weeks)

- Session 1: Interim Evaluation
- Session 2: Site Visits
- Session 3: Agree Final Specification

**2B: Best & Final Offer**
(timeframe: 4 weeks)

Re-issue revised specifications to short-listed vendors and receive Best and Final Offers from remaining short-listed vendors.

SA Health
Competitive Dialogue: Stage 1

Focus of this stage was to shortlist respondents to a smaller number.

The key activities within Stage 1 were as follows:

Evaluation team reviewed tender responses based upon the following criteria:

- Compliance to specifications (Mandatory/Essential/Desirable)
- Corporate capability
- Ability to meet building/infrastructure timelines
- Ability to meet general equipment requirements
- Ability to meet building interface requirements
- Nomination of sites to visit that replicate the vendor’s proposed configuration
- Compatibility with other equipment, both existing and new items to be procured
- Proven capability and experience
- Independent references
- Overall service offering
  - Warranty
  - Training & Support
  - Maintenance
  - Presence in SA
Competitive Dialogue Process

**STAGE 1**

**Determining Capability**
(timeframe: 2 weeks)

Focus of this stage is to shortlist respondents to a smaller number.

Outcome of Stage 1 will be a short list of vendors who will be asked to progress to, and participate in, Stages 2A and 2B.

**STAGE 2**

**2A: Interactive Engagement**
(timeframe: 4-8 weeks)

- **Session 1: Interim Evaluation**
- **Session 2: Site Visits**
- **Session 3: Agree Final Specification**

**2B: Best & Final Offer**
(timeframe: 4 weeks)

- Re-issue revised specifications to short-listed vendors and receive Best and Final Offers from remaining short-listed vendors.

SA Health
Competitive Dialogue: Stage 2A

Stage 2A was split into three distinct sessions:

**Session 1 – Interim Evaluation**
Vendors were invited to present to expand upon their tender response and provide further detail regarding their proposed solution with guidance from the procurement team (i.e. focus on critical areas).

**Session 2 – Site Visits**
Evaluation team visited nominated sites in order review the vendor’s solution, and speak with the clinicians and staff who use the equipment.

**Session 3 – Agree Final Specification**
Vendors were invited to meet with the evaluation team in order to finalise the solution that the vendor would use to submit a best and final offer during Stage 2B.
Competitive Dialogue Process

STAGE 1

Determining Capability
(timeframe: 2 weeks)

Focus of this stage is to shortlist respondents to a smaller number.

Outcome of Stage 1 will be a short list of vendors who will be asked to progress to, and participate in, Stages 2A and 2B.

STAGE 2

2A: Interactive Engagement
(timeframe: 4-8 weeks)

Session 1: Interim Evaluation
Session 2: Site Visits
Session 3: Agree Final Specification

2B: Best & Final Offer
(timeframe: 4 weeks)

Re-issue revised specifications to short-listed vendors and receive Best and Final Offers from remaining short-listed vendors.
Competitive Dialogue: Stage 2B

The purpose of Stage 2B was to receive, review and evaluate the best and final offers received from vendors.

During Stage 2B, the following occurred:

- Reviewed all best and final offers
- Determined if there was a preferred vendor for all services/equipment included in the tender, or if there was a preferred vendor for each key area.
- Identified the preferred vendor/s
- Concluded contract discussions and finalised a contract with the preferred vendor/s.
Stage 2A – Competitive Dialogue

- 6 Tenderers shortlisted into Stage 2
- 4 hour initial session with each Tenderer for Pendants & Lights and CDI (i.e. if shortlisted for both the Tenderer got 2 x 4 hour sessions)
- Site visit to an existing installation for each Tenderer
- 2 hour final session for each Tenderer
- Dialogue stage was not an evaluated part of the process
- Formal offer documents were released to ALL shortlisted Tenderers.
Stage 2A – Competitive Dialogue Statistics

> Over 50 Hours of Tenderer discussions through the Dialogue Phase
> Site visits to 9 Hospitals
> Involvement of over 90 stakeholders
> Total 1 month process
Stage 2B – Competitive Dialogue outcomes

- 5 bids from 5 shortlisted Tenderers for Clinical Digital Integration.
- 3 bids from 4 shortlisted Tenderers for Pendants and Lights.
- All bids compliant
- Minimal clarifications (during tender period)
- No follow up questions or presentations needed.
- One tenderer not bidding due to not being able to meet the nRAH requirements (based on information provided in dialogue) saving tenderer and evaluation team time and cost.
Stage 2B – Competitive Dialogue outcomes (cont.)

> Final Contract price $16m below pre tender estimate of $27m
> Best technical outcome because there was no assumptions needed from the Tenderers.
> Aggressive pricing from market leaders contributing to savings.
> Increased competition developed from time spent with each tenderer understanding products in more detail than a paper exercise.
> Greater buy in from stakeholders and clinical staff due to involvement in specification development.
> Reduced timeframes conservatively by 3-6 months.
Stage 2B – Competitive Dialogue outcomes (cont.)

> Productive debriefs with unsuccessful Tenderers.
> Acknowledgement from the market that the process gave them greater opportunity to compete.
...and the Outcome
Questions?