

Is Commissioning Different from Procurement?

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Abstract. The English National Health Service (NHS) provides strong arguments on the debate around commissioning public services. The proponents of commissioning view it as a broad, distinct and strategic cycle of activities where procurement is just one small facet. The essence of their argument is that commissioning has become necessary in recognition of the limitation of traditional purchase and procurement in public organizations. Commissioning is, therefore, essentially need-based and decentralized. On the other hand, the proponents of procurement argue that commissioning is just a different way of calling what in essence is strategic procurement. Commissioning activities are, in one way or the other, intended to strategically acquire appropriate types of services for the organization. Social organization can and does draw on examples of successful strategic procurement in commercial organizations. To avoid any unintended consequences such debate might cause and to provide meaning, direction and purpose to the function of commissioning, it is useful to be explicit and define the concepts at some point in the early phases of the initiative.

Keywords: commissioning, public services, procurement, supply-chain management, health services.

1 INTRODUCTION

One of the core commissioning debates is whether it is different from procurement. The English NHS provides a good context for the debate as arguments both for and against the notion are well documented and quite polarized despite general paucity of literature on the topic.

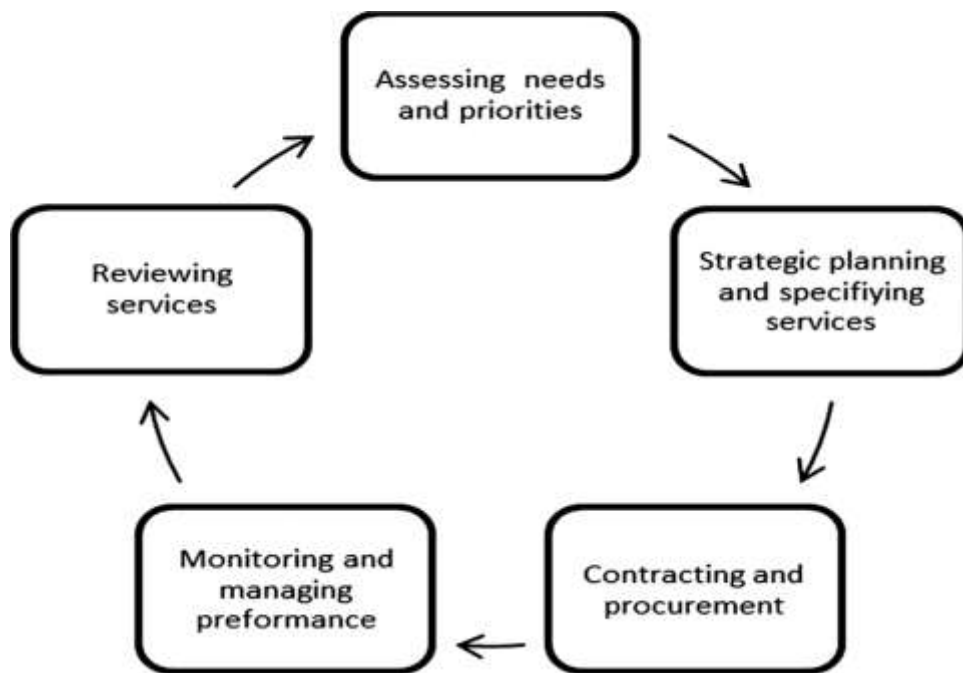
Much of the debate arises because the term ‘commissioning’ itself means different things to different people and is often used interchangeably with such other terms as ‘purchasing’, ‘contracting’, ‘procuring’ etc. (Dickinson, 2015). However, it is possible to identify two broader lines in the debate. For many, it has a wider role than procurement or supply chain management processes. While for many others, the two functions are indeed identical (Dickinson, 2015). This paper will endeavour to discuss these two dimensions of the debate in the context of the NHS.

2 IS COMMISSIONING MORE THAN JUST PROCUREMENT

In the context of English NHS, the term ‘commissioning’ is most often used to denote a strategic role that is proactive and encompasses ‘planning, designing and implementing a range of services’ (Woodin, 2006). This role is quite distinct from the ‘passive purchasing role’. The decisions regarding what service to be provided, by whom and how to pay for it are usually taken by a commissioner.

Procurement, on the other hand, is involved with one particular facet of the process – ‘the selection, negotiation and agreement with the provider of the exact terms upon which the service is to be supplied’ (Woodin, 2006). Procurement, thus, is the function of provider selection, and contracting based on the contract documentation.

Again, commissioning is the set of few connected activities. Commissioning process can be modelled on cycles, levels or task lists (Øvretveit, 1995). This representation of the commissioning process as a cycle of activities rather than as a linear relationship between purchasing functions can be shown as follows (Shaw et.al., 2013):



The commissioning cycle

The above description of the commissioning process has been supported by Shaw et.al. (2013). In NHS, there has been an annual process of needs assessment, planning, contracting, monitoring and review. This group of activities is collectively known as the ‘commissioning cycle’ (Øvretveit cited in Shaw et.al., 2013). The responsible commissioning organizations including the Primary Care Trusts (PCTs) and the GPs have been encouraged to take up these exercises regularly on an annual basis. Clearly, as they argue, activities such as needs assessment, planning, monitoring and review are distinct phases of the cycle. Procurement is only related to the contracting part of the cycle, denoting purely the purchasing of goods and services and related activities as and when needed. Therefore, it is distinct from commissioning. The argument presents further reason. Procurement can not be a mandatory annual exercise like the other activities of the commissioning cycle. A commissioner engages in procurement only when required. It could be none or many times in a given year (Shaw et.al., 2013)

A third study (Wade et.al., 2006) highlights the contextual nature and relative importance of each commissioning activity. It argues that in the NHS context, the market for providers is relatively small. Hence, internal NHS market with relatively limited choice of providers, relies more on ‘purchasing’ (‘buying or funding services in response to demand or usage’), than on ‘procuring’ (‘stimulation and identification of suppliers through advertising and competitive tendering’). Whereas, the term ‘contracting’ entails specifying, negotiating and monitoring service agreements. The legally binding connotation of contract has been nuanced in the commissioning cycle. Until recently, especially with regard to primary care provisions, the task of securing services has hardly been viewed as a commissioning activity due to the ‘limited scope for performance management and market-exit’ in the contractual framework. The core claim of this argument is that commissioning is a much wider term in relation to procurement and procurement itself is wider than purchase. It casts doubt whether any commissioning at all has taken place in the NHS until today. Rather, what happened is mere purchasing from a very limited market under mutually negotiated contract terms (Wade et.al., 2006).

The discussions on the notion of commissioning as something more than procuring include two more concepts of commissioning. First, as conceived in the NHS, commissioning is the act of deciding by ‘an organization’ or ‘a group of clinicians’ as to which health services to purchase by using the tax money provided by the government on behalf of the population (Smith et.al., 2010). Secondly, NHS commissioning has been described as proactive strategic planning and implementing of appropriate healthcare interventions. Woodin’s (2006) definition of commissioning underlines both these notions and makes explicit the differences between commissioning and procurement:

'Commissioning is a term used most in the UK context and tends to denote a proactive strategic role in planning, designing and implementing the range of services required, rather than a more passive purchasing role. A commissioner decides which services or healthcare interventions should be provided, who should provide them and how they should be paid for, and may work closely with the provider in implementing changes. A purchaser buys what is on offer or reimburses the provider on the basis of usage' (Woodin cited in Smith et.al., 2010).

3 OR IS COMMISSIONING JUST ANOTHER NAME FOR PROCUREMENT OR SUPPLY CHAIN MANAGEMENT

The proponents of viewing commissioning as a means of managing supply chain build their argument on the long-standing purchaser-provider split in the NHS. Based on Øvretveit's (1995) observations, these schools argue that if NHS had always purchased most of its primary care services from contractors who are essentially small businesses specialized in those services, then it would be inappropriate to call NHS as provider of healthcare. Rather, this role is better understood as one large, networked and extended supply-chain where the purchaser-provider split is critical for effective coordination at both intra and extra organizational levels (Allen, Wade & Dickinson, 2009).

The transformation of the NHS from a provider-led to a commissioner-led system is about learning more about the commercial procurement, supply-chain and market management etc., especially about how health services are procured under private insurance schemes. Therefore, the argument continues, commissioning skills are synonymous with purchasing or supply-chain management skills. The argument supports this approach on the assumption that commissioning is all about procuring healthcare services from external providers and managing these supply networks. Hence, all a commissioner needs to improve his performance is a certain degree of expertise in purchasing mechanisms through a complex network of suppliers (Allen, Wade & Dickinson, 2009).

Validity of the above argument would have been seriously questioned if it had not taken the complexity issue into the procurement framework. Commissioning is complex 'health care purchasing' as it involves higher level of coordination, equipment and human labour. It has been recognized that commissioning in health services like the NHS is more than just purchasing health services. However, the other functions are mostly related to the social policy decisions regarding distribution of public resources while procuring the services. That is to say commissioning is all about socially and politically responsive purchasing decisions involving public money (Allen, Wade & Dickinson, 2009).

Then, these schools have their own ways of viewing and interpreting the reforms that have taken place in the NHS. Reforms to the commissioning role has been towards more purchaser-provider split, modeled on the notion of New Public Management, with increasing authority to the commissioners to encourage competition among the external providers to reduce block contracts that encourage monopoly. Even where increased competition is encouraged with regard to comprehensive patient care by integrating the range of services provided by the providers, the process of getting those services are being viewed as an integrated supply-chain network, rather than the combination of procurement and other related but distinct commissioning activities such as monitoring and feedback (Allen, Wade & Dickinson, 2009).

Another dimension of this reform is to view commissioners and commissioning processes in an increasing market context. Commissioners' roles are being envisaged in stimulating both external and internal markets for health care and instilling competition and challenging the status-quo. Further, arrangements for seeking commissioning support services from leading private sector consulting and insurance firms have been argued as the government's acknowledgement of the NHS's weakness in commercial-style commissioning.

Perhaps, the most radical view of this school about commissioning is that patients, being co-producers, are process inputs in the supply chain. Likewise, all other actors of the wider system such as payers, purchasers, patients and commissioners are either providers or suppliers in the extended supply chain (Allen, Wade & Dickinson, 2009). The determinants of procurement successes such as what to buy, how to buy or contract for it, how to internally manage, monitor and dispose of it have

been termed as equal to commissioning successes (Allen, Wade & Dickinson, 2009). There is an integration in this series of events – a parallel to the integrated activities of the commissioning cycle.

Although the early proponents (Leenders, Fearon & England, 1989; Karass, 1970, 1974; Webster & Wind, 1972; Westing et. al., 1976) of procurement processes were unable to identify procurement with the critical strategic function that it is capable of delivering today, the root of long-term prospect of procurement can be traced back into its early linear step-based delineation of a set of connected activities, aptly identified with the activities in the commissioning cycle today. Together with purchasing techniques with consideration for buyer behavior and beliefs as well as the negotiation function, procurement has become the foundation for predominantly service-oriented organizations such as the NHS, essentially meaning the same activities and objectives that are associated with the notion of commissioning in the context of NHS.

The parallel has been even drawn to that aspect of procurement (or supply chain management for that matter) which is related to 'materials management'. An early business concept, materials management is the science of achieving economy and efficiency in the production process by coordinating various related activities of production such as planning and scheduling, purchasing, storing, shipping, and managing inventories for materials that are put into the manufacturing processes (van Weele, 1994; Waller, 2003)

Procurement as a strategic activity has emerged out of these fundamental production principles (Allen, Wade & Dickinson, 2009). Thus, to certain extent, present day commissioning within the NHS mirrors its strategic role in the social context much in the same way as procurement plays its own strategic role in relation to the functions of successful commercial organisations (Allen, Wade & Dickinson, 2009).

4 CONCLUSION

The NHS case provides strong arguments on both sides of the intense debate on the subject 'is commissioning different from procurement' around the concept of commissioning. The proponents of commissioning view it as a broad, distinct and strategic cycle of activities where procurement is just one small facet. Phases of commissioning such as needs assessment, designing, monitoring and evaluation are separate from procurement and distinct from one another. The essence of their argument is that commissioning has become necessary in recognition of the limitation of traditional purchase and procurement in public organizations. In its heart, it is so much need-based and thus so much decentralized. On the other hand, the proponents of procurement argue that commissioning is just a different way of calling what in essence is strategic procurement. The activities that a commissioner is involved with are in one way or the other intended to strategically acquire appropriate types of services for the organization. Social organization can and does draw on examples of successful strategic procurement in commercial organizations.

Therefore, to avoid any unintended consequences such debate might cause and to provide meaning, direction and purpose to the function of commissioning, it is useful to be explicit and define the concepts at some point in the early phases of the initiative.

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