

# BC Health Authority Shared Services Organization

Province-wide Shared Services. Better Value

## Supply Chain Services: A Guide to Value-Adds

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### Who we are:

The BC Health Authority Shared Services Organization (SSO) is now accountable for the provision of Supply Chain (SC) Services to all of BC's health authorities. This means that SSO manages all contracts for health authority goods, supplies, equipment and services.

### Value-Adds

When suppliers make proposals to the SSO they will often include Value-Adds as part of their offering as a way of increasing the value of their proposal. Depending on the category, Value-Adds may form a significant portion of the overall value, financial and/or otherwise, of the supplier's proposal. SSO Supply Chain's management of Value-Adds is designed to maximize the value to the health authorities, encourage creativity among suppliers and demonstrate complete transparency.

Value-Adds may take the form of cash rebates, no-charge product, educational support, Fellowship grants, discounts on other categories of products and services or discounts that offer increased value (such as growth rebates) to the customer. For some departments, programs or agencies who receive significant Value-Adds from suppliers, the Value-Adds essentially form part of the baseline department budget. SSO recognizes that continuance of the Value-Adds is critical for the maintenance of their operations.

### SSO's Approach to Value-Adds

The SSO Board approved the following principles to guide our approach to Value Adds:

- Value-Adds proposed by vendors will be converted to reduced product pricing where possible. Value-Adds may remain directed and not converted to reduced product pricing when;
  - a. the proposed Value-Add aligns with previously determined priorities of the health authority to which the Value-Add is directed,
  - b. the proposed Value-Add defers health authority expenditures that would have otherwise been funded by the health authority, and
  - c. conversion to reduced product pricing is either not possible or results in lower overall value to the provincial health system.
- To ensure that Value-Adds are appropriate, fill a need, deliver value, and do not add costs elsewhere, the SSO and the supplier will negotiate the decision about which Value-Adds are to be included and where the Value-Adds are directed.
- All Value-Adds are declared, visible, and accounted for. SSO will make this information available to health authority administrations.
- All Value-Adds will be routed through SSO and not delivered directly to clinicians, departments, or sites.
- SSO Request for Proposal (RFP) evaluation criteria recognize the value offered in supplier Value-Adds.
- Value-Adds that result from a provincial contract are considered a provincial resource.
- Value-Adds directed to a specific health authority, facility, department or program will have their value (as determined by the SSO) subtracted from that health authority's share of other Value-Adds, rebates or savings distributed by the SSO to the health authorities. A health authority will not accept directed Value-Adds with total value greater than its share of the provincial amount.

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### Value-Add Disbursement

The SSO is accountable for the negotiation, tracking and distribution of Value-Adds provided on contracts implemented by the SSO. Key stakeholders will be consulted on the appropriateness, relevance and preferred method of disposition. Suppliers will provide notification of all payments of cash Value-Adds and provision of non-cash Value Adds to the SSO to enable the SSO to track and follow-up on Value-Adds. Suppliers will direct cash Value-Adds to the attention of the SSO. The SSO allocates the total accumulated cash Value-Adds from SSO contracts to the health authorities on a periodic basis as required by the SSO's Master Services Agreement or as directed by SSO Board resolutions.

### Some Examples:

**Example A:** Proposed Value-Adds include a contribution to Health Authority #1 to cover a physician's fellowship and payment for three health authority staff members to attend an annual international conference. The HA being offered the Value-Adds has not previously funded these items.

**Action:** *The supplier will be asked to reduce their product pricing by an amount equivalent to the value of the Value Add. If unwilling to take this approach, they will be asked to provide the value-add as a cash payment. If the Value-Add is accepted by HA #1 as proposed, the value received by the HA will be estimated and reported to the SSO. This amount will then be deducted from the Value-Add disbursement payment made by the SSO to Health Authority #1. For example:*

*Total cash Value-Adds earned for all SSO contracts - \$10 Million  
Health Authority #1's share of total Value-Adds - \$ 2 Million  
Estimated value of this contract's value add - \$175,000  
Payment by SSO to Health Authority#1 - \$1.825 Million*

**Example B:** A Value-Add of equipment that is not part of a RFP is offered by Supplier A at half price. The HAs are interested as current equipment from another supplier (Supplier B) is old and failing. Consumables and software updates required to operate the offered equipment are not part of the RFP or the Value-Add offer and would need to be purchased at list price and added to the warehouse.

*The Value-Add would not be considered in the RFP evaluation since acceptance would result in changing the market share of the Supplier B without providing that supplier with an opportunity to compete for the business.*

### For more information:

If you would like additional information on our specific activities, please see the following information sheets which are available from our website at [www.bchealthssso.ca](http://www.bchealthssso.ca)

[BC Health Authority Shared Services Organization – Supply Chain Services: General Information](#)

[BC Health Authority Shared Services Organization – Physician Engagement](#)

[BC Health Authority Shared Services Organization – Contract Management](#)

Or contact us at: [SupplyChain@bchealthssso.ca](mailto:SupplyChain@bchealthssso.ca)

