

# HEALTH PURCHASING VICTORIA COMPLIANCE STRATEGY 2019-2022

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# Introduction

## Purpose

Health Purchasing Victoria's (HPV's) Compliance Strategy outlines the framework and strategic goals for compliance during the period 2019-2022. This strategy aims to encourage, monitor and enforce compliance against the HPV Health Purchasing Policies (HPPs) to ensure probity<sup>1</sup> is maintained in health service procurement processes.

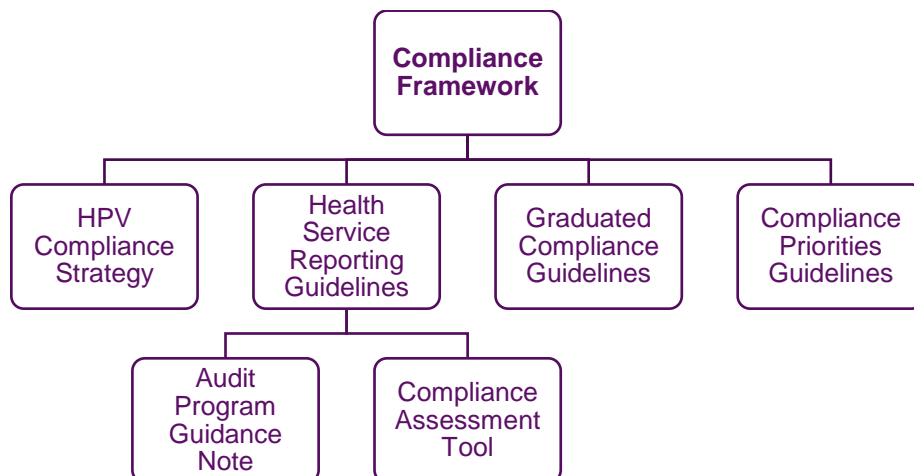
## Background

HPV is an independent public entity established under section 129 of the *Health Services Act 1988* (Vic) and is responsible to the Minister of Health, working closely with the Department of Health and Human Services (DHHS).

Section 131 of the Act specifies HPV's functions, and those relevant to its compliance work program include:

- Monitoring public health service compliance with purchasing policies and HPV directions, and reporting irregularities to the Minister.
- Ensuring probity is maintained in purchasing, tendering and contracting activities in public hospitals and public health services.
- Providing advice, staff training and consultancy services in relation to the supply of goods and services to, and the management of disposal of goods by, health or related services other than public hospitals.

These legislated responsibilities underpin HPV's Compliance Framework and are supported by this strategy, HPV operational guidelines and resources.



## Health Purchasing Policies

On 26 June 2014, HPV introduced five HPPs to support its statutory functions. The HPPs provide the strategic framework for health services to ensure best-practice procurement, including probity.

All Schedule 1 and 5 public hospitals and health services listed under the Act must comply with the HPPs. These entities are referred to as mandated health services.

- *Health Purchasing Policy 1: Procurement Governance* (HPP1):

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<sup>1</sup> Probity is the evidence of proper and ethical behaviour and for the purposes of this strategy is defined as having complete and confirmed integrity, uprightness and honesty in procurement.

The [procurement governance policy](#) aims to ensure the framework for procurement accountability and probity are established from the outset. This policy includes a framework for health service management of procurement complaints<sup>2</sup>. Responsibility for strategic procurement lies with the health service's Chief Executive Officer (CEO) to ensure accountability, oversight and consolidation of procurement activities and capability planning.

- *HPV Health Purchasing Policy 2: Procurement Strategic Analysis (HPP2):*

The [procurement strategic analysis policy](#) outlines the requirements for determining the complexity of a health service's procurement activities, and assessing the market dynamics and capability required to match the complexity of the procurement activity.

- *HPV Health Purchasing Policy 3: Market Approach (HPP3):*

The [market approach policy](#) outlines the requirements for approaching the market and engaging with potential suppliers. The policy mandates the framework for a health service to follow in case of a critical incident. It also defines the transparency and probity requirements for engaging with external stakeholders to ensure fairness.

- *HPV Health Purchasing Policy 4: Contract Management and Asset Disposal (HPP4):*

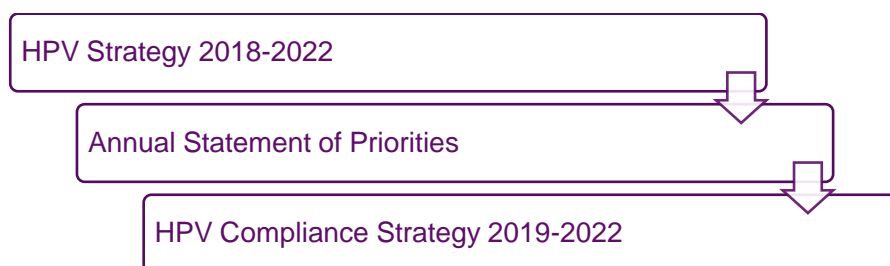
The [contact management and asset disposal policy](#) establishes a consistent contract management framework for health services. It aims to help health services derive maximum benefit from the procurement outcome over the term of the agreement. This policy requires mandated health services to establish and maintain asset management so as to optimise value for money, minimise risk and sustain maximum service provision.

- *HPV Health Purchasing Policy 5: Collective Purchasing (HPP5):*

The [collective purchasing policy](#) outlines the requirements for health services to comply with HPV's collective purchasing agreements, which seek to leverage demand and drive better value for money.

## HPV strategic priorities

The HPV Compliance Strategy cascades from the strategic goals outlined in the [Health Purchasing Victoria 2018-2022 Strategy](#) and annual Statement of Priorities.



The HPV Strategy sets out our key objectives for the next five years to advance safe, affordable and sustainable healthcare, strengthening our core functions to deliver best-value procurement incorporating patient safety and sustainability objectives, improved customer service and engagement – particularly in regional areas – and an enhanced probity framework.

The strategic goals specified in the HPV Strategy are:

- HPV Strategic Goal 1: Deliver best-value healthcare outcomes.
- HPV Strategic Goal 2: Increase customer engagement.
- HPV Strategic Goal 3: Support procurement and probity practice improvement.
- HPV Strategic Goal 4: Improve the integrity and availability of information used to drive supply chain and procurement decisions.

<sup>2</sup> As per subsection 4(1) of HPP1, a procurement complaint is an issue or concern expressed by a supplier in relation to the process or probity applied by a mandated health service when carrying out a procurement activity.

- HPV Strategic Goal 5: Enhance capability and capacity.

The Statement of Priorities is HPV's annual agreement supporting the delivery of – or substantial progress toward – key objectives shared with the Victorian Government, including quality and safety, good governance and leadership, access and timeliness, and financial sustainability.

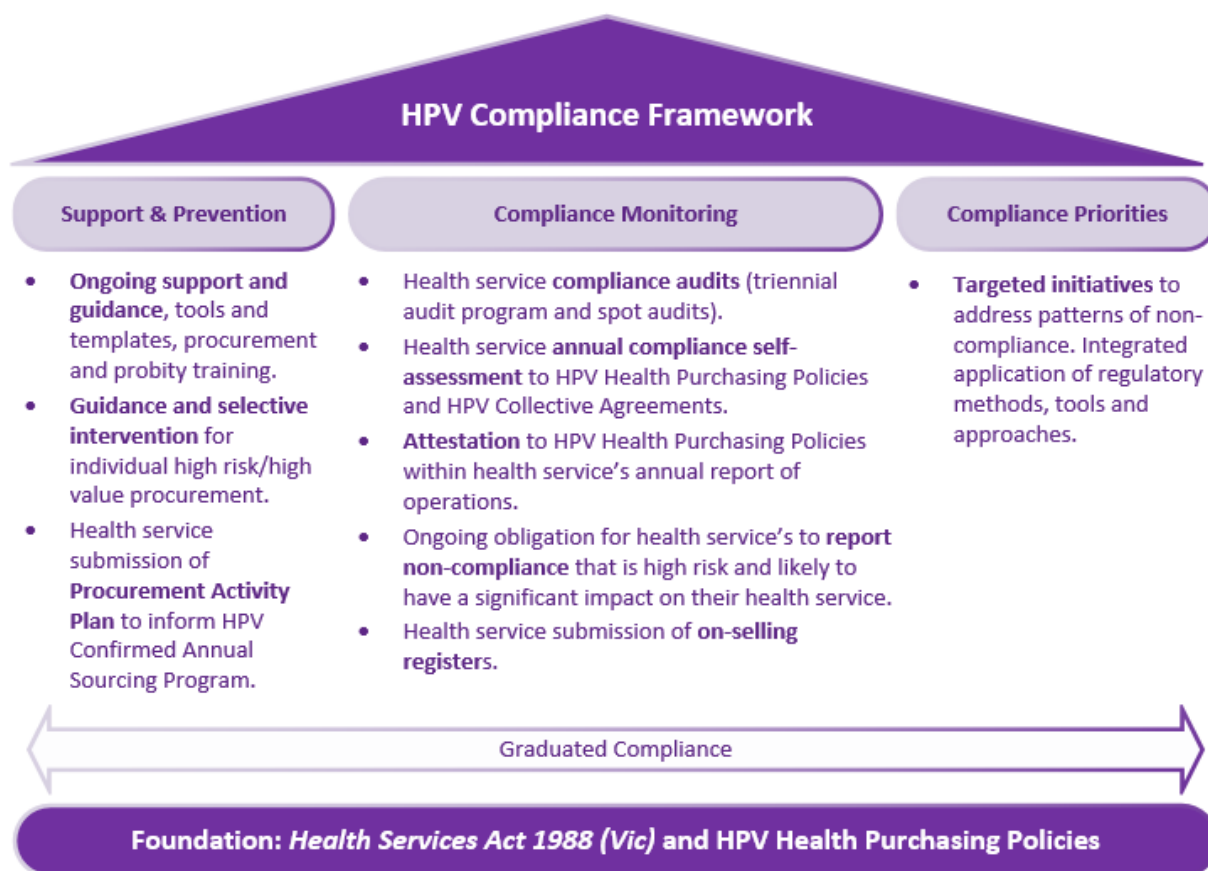
The Statement of Priorities is the key accountability agreement between the government and HPV. It outlines our priorities and is consistent with the HPV Strategy, government policies and directions.

# HPV Compliance Framework

The Compliance Framework forms the foundation for HPV’s compliance-related activities, informed by HPV’s functions under the Act and health service reporting requirements specified under the HPPs.

In April 2015, the HPV Board approved the Compliance Framework which focused on compliance monitoring as well as support and prevention activities. The framework is based on the principle that health services are in the first instance accountable for compliance and maintaining probity in their purchasing, tendering and contracting activities. The Compliance Framework was subsequently published in the HPV Health Service Compliance Strategy 2016-2019.

As part of the Compliance Strategy review, it is timely and appropriate that the framework evolves to incorporate best-practice regulatory theory for compliance and enforcement. The 2015 Compliance Framework has been updated to include compliance priorities, a strategic compliance goal for 2019-2022.



## Support and prevention

HPV is committed to supporting health services in strengthening their ability to comply with the requirements of the HPPs. To assist health services in achieving compliance, HPV provides one-on-one health service engagement through our Customer Relationship Managers, a suite of procurement resources (including guides, tools and templates)<sup>3</sup>, and face-to-face and online probity training.

<sup>3</sup> Available through the CPO Compliance Portal at <https://www.hpv.org.au/resources/health-service-compliance/cpo-compliance-portal/> (restricted access).

## Compliance monitoring

HPV has a legislated responsibility under subsection 131(d) of the Act to monitor health service compliance with the HPPs and HPV directions. This monitoring function is achieved through the following health service reporting requirements as specified under section 3 of HPP1:

Health service reporting obligations	
Audit program	<p>A mandated health service specified under Schedule 1 and 5 of the Act is required to conduct a compliance audit:</p> <ul style="list-style-type: none"> <li>• Every three years as per the auditing schedule<sup>4</sup> (tri-annual auditing program).</li> <li>• As requested by HPV where it has concerns about a health service's compliance standing (spot audits).</li> </ul> <p>A health service is required to submit their audit report by 30 June of the nominated year for the tri-annual auditing program.</p> <p>HPV may require a spot audit to be conducted as part of an escalated compliance approach, or when the potential risk and/or harm substantiates the action (for example, if raised in protected disclosures or media investigations).</p>
Annual attestation to HPPs in a health service's annual report of operations	A health service must publish an annual attestation of compliance with the HPPs in its annual report of operations for that financial year (i.e. the health service's annual report).
Annual compliance self-assessment to HPPs and HPV collective agreements	The self-assessment requires a health service to review its compliance against the HPPs and HPV collective agreements and make an online submission to HPV by 31 May each financial year.
Real-time status reporting with HPV collective agreements	This is an ongoing requirement to provide real-time status reports of compliance with HPV collective agreements, for example, to confirm transition to a new HPV collective agreement at the end of the transition period.
Ongoing obligation for health services to report non-compliance	Health services are expected to report to HPV non-compliance which is high-risk and likely to have a significant impact on the health service.

These reporting requirements are detailed further in the Health Purchasing Victoria Health Service Reporting Guidelines.

## Compliance priorities

As a strategic compliance goal for 2019-2022, HPV will develop and implement a compliance priorities program which promotes tailored initiatives to patterns of non-compliance. HPV will adopt an evidence-based approach to identify its compliance priorities, utilising health service reporting data and risk analysis.

As part of the compliance priority rationale, HPV will examine the characteristics of non-compliance, key drivers for change and the type of intervention required. This analysis will inform the tailored response implemented, which in most circumstances will be an integrated application of regulatory methods, tools and approaches. A compliance priorities program will enable HPV to extend our regulatory reach in an efficient, effective and targeted way that recognises the resource requirement on health services.

<sup>4</sup> This auditing schedule is also available on the [Chief Procurement Officer \(CPO\) Compliance Portal](#) (restricted access).



## Graduated compliance

HPV's graduated compliance approach encourages measured and appropriate responses to compliance issues identified in health service reporting submissions or by other HPV information-gathering tools.

Through its implementation, the graduated compliance approach:

- Encourages the lowest level of intervention for compliance action.
- Recognises the capacity of health services to become compliant.
- Promotes compliance action proportionate to the level of risk.
- Provides sufficient flexibility to escalate or de-escalate compliance action if required.
- Champions an evidence-based decision making process.
- Responds to the behaviour and compliance history of the health service.

HPV operationalises this approach through the graduated compliance values and graduated compliance model. This model includes four hierarchical layers for HPV's compliance response:

- Education and support.
- Administrative action.
- HPV direction.
- Report to the Minister.

The Health Purchasing Victoria Graduated Compliance Guidelines outline this approach and its practical application in greater detail.

## Compliance strategic goals

The table below outlines HPV's strategic compliance goals and the associated strategies and deliverables for the period 2019-2022.

Compliance Strategic Goals	Strategies	Deliverables
Support procurement and probity practice improvement	Deliver a procurement training program to metropolitan and regional health services.	Deployment of online procurement training for: <ul style="list-style-type: none"> <li>Procurement professionals.</li> <li>Clinical, operational and non-procurement staff.</li> <li>Board members and executives.</li> </ul>
		500 participants complete online procurement training by 30 June 2019.
	Maximise health service compliance with the HPPs.	Educational resources developed to support health services to achieve compliance, complementary to the existing suite of information.
		Expert advice and guidance provided to health services on probity issues as required.
		90 per cent of mandated health services compliant to HPPs.
	Maximise health service compliance with HPV collective agreements.	Educational resources developed to support health services to achieve compliance, complementary to the existing suite of information.
Expert advice and guidance provided to health services on probity issues as required.		
95 per cent of health services using each HPV collective agreement are compliant.		
Continue to monitor and respond to cases of non-compliance against the HPPs and HPV collective agreements	Continue to analyse health service reporting data.	Health service reporting data analysis reports (internal documents).
	Review on-selling requirements of HPP5 and health service reporting submissions.	Appropriate controls implemented to manage potential risks of health service on-selling practices.
	Review internal practices for providing exemptions from HPP5 for HPV collective agreement(s).	Strong governance practices maintained via document procedure.
	Develop a plan to address non-compliance issues and recommendations for improvement identified from the	Plan developed and actioned to address compliance deficiencies identified in the VAGO audit.

Compliance Strategic Goals	Strategies	Deliverables
	Victorian Auditor-General's Office (VAGO) compliance audit and health service compliance audits.	
	Further develop HPV's graduated compliance approach.	Health Purchasing Victoria Graduated Compliance Guidelines developed.
	Manage non-compliance in accordance with Health Purchasing Victoria Graduated Compliance Guidelines.	All non-compliance identified through health service reporting is managed within HPV's internal case management system.
		All cases of non-compliance are appropriately managed, as per the Health Purchasing Victoria Graduated Compliance Guidelines.
		Appropriate escalation of non-compliance with HPPs.
As appropriate, irregularities reported to the Minister.		
Develop and deliver the compliance priorities program	Develop HPV guidelines for compliance priorities program.	Health Purchasing Compliance Priorities Guidelines developed.
	Utilise health service reporting data analysis reports to identify compliance priorities.	Compliance priorities are identified and published as appropriate.
	Develop and implement a tailored response for identified compliance priorities.	Improved compliance outcomes for identified compliance priorities.