

UNSPSC Solutions for the Health Industry

Creating Short-Term Savings and Long-term Sustainability

IntelligentClassifier

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SEEING THROUGH THE HEALTH PUZZLE

Understanding the various acronyms, who is who, and who does what can be a real struggle. New groups are being established, old departments dismantled, staff re-assigned and new acronyms going wild (NPC, GLN, GTIN, GDSN, UNSPSC, GPC, GDD, GDS, EPC, RFID etc.).

“The core business issues for Health remain the same”

However, the core business issues for Health remain the same. Health jurisdictions need to better manage their expenditure, have efficient source-to-settlement business processes, and take cost out of their supply chain.

But who does what? What is the value of it, not only for the Health jurisdictions but also for the suppliers; and where do you start?

Standards like the Global Product Classification (**GPC**) are emerging but not yet ready for the Health industry, while others such as the United Nations Standard Products and Services Codes (**UNSPSC**) is being adopted by more and more Health jurisdictions around the world.

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Each classification standard offers advantages and disadvantages depending on the industry you operate within, and whether industry groups have adopted a particular one. Remember, having a choice in too many standards means that no standard yet truly exists.

A national initiative has been formed with the National E-Health Transition Authority (**NEHTA**) to implement a National Product Catalogue (**NPC**) and establish a link between Health jurisdictions and Health suppliers. The NPC is to be hosted by GS1 who acts as a not-for-profit registry. NEHTA has been establishing the NPC requirements while GS1 will act as the content host.

“BvW Outsourcing processes trading partner data to UNSPSC Classification standards”

Without getting too technical, the goal of all this is to establish a common language and facilitate the

exchange of information between trading partners, take cost out of the requisition to payment cycle (business process) and the cost out of the supply chain (inefficiencies in supply chain, incorrect information, invoice with errors, so on and so forth).

Trading partners must register on the GS1 network to benefit from its services. Trading Partners are then required to identify themselves with an assigned Global Location Number (**GLN**) that identifies who and where you are, and what you have to trade for each market. That is when the Global Trade Identification Number (**GTIN**) comes into play; the GTIN is a unique product identifier that is required by GS1 for each product you register.

Each GTIN provided must be classified using UNSPSC or GPC. Your product catalogue must be maintained by you and uploaded onto the NPC via GS1 as changes occur (superseded products, changes in prices etc.).


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All this data is contained in the Global Data Synchronisation Network (**GDSN**) with the data attributes stored in a central repository called the Global Data Dictionary (**GDD**).

The GDSN is an interconnected network of interoperable data pools and a global registry (**GS1**) that enables companies around the world to exchange standardised and synchronised supply chain data with their trading partners by ensuring that the data exchanged is accurate and compliant.

The GDSN consists of trading partners (suppliers and purchasers), data pools (service providers such as BvW Outsourcing that hold and/or process trading partner data i.e. UNSPSC Classification), and the GS1 Global Registry (a worldwide directory to help the GDSN Community locate sources and manage ongoing synchronisation relationships between trading partners.

The one key advantage of GDSN is that trading partners have a single point of entry to the GDSN



as opposed to establishing many electronic connections with suppliers and purchasers alike.

The Global Data Synchronisation (**GDS**) purpose is to continuously synchronise published data between trading partners. Such synchronisation applies for catalogue items (i.e. NPC) but can also be extended to planning, forecasting, inventory management with the use of an Electronic Product Code (**EPC**) based on Radio Frequency Identification (**RFID**). I like to call this the “same/same” philosophy.

As you can see, adopting a classification such as UNSPSC for Health jurisdictions and suppliers is highly recommended in order to fully benefit from the National Product catalogue and leading supply chain efficiencies.

YOU BUILD A PYRAMID ONE STONE AT A TIME, STARTING WITH THE BASE

Health jurisdictions are required to electronically link to the NPC and Suppliers are encouraged to upload their product catalogues onto the NPC.

While the concept is sound, a number of “internal” projects need to occur from a Health jurisdiction and suppliers perspectives. One of which is the classification of products and services.

“There is a real and present need to get visibility of expenditures”

Health jurisdictions spend billions of dollars every year - and there is a real and present need to get visibility of those expenditure levels to better manage internal requisitions, supplier spend and contracts with suppliers. What you do not see cannot be managed, what cannot be managed can't be controlled.

Classifying the spend data using UNSPSC will provide visibility of expenditures. UNSPSC Classification will also lead to being able to perform spend analysis which will lead to strategic sourcing and more appropriate contracts with suppliers.

Kim Coates, NSW Health catalogue expert, says “a lot of jurisdictions have not been defining all products and services in their systems.” The UNSPSC classification will do just that. In addition, Coates mentions that “jurisdictions wanting quick wins in supply chain efficiencies including spend

analysis and strategic sourcing would be able to achieve this if they implemented UNSPSC initially to provide them with a mechanism to classify and group their spending products and services for analysis.”

While Coates has been a proactive and enthusiast advocate for implementing catalogues in NSW Health for many years, she has also presented and engaged suppliers to come on board and register with GS1.

“With the implementation of UNSPSC, Health would also be able to compare spend across jurisdictions. By using the same classification today, it would not matter how they described their products in each of their respective jurisdiction systems, [they] could at the very least start reporting and obtaining data intelligence sooner rather than later” Coates says.

“With the implementation of UNSPSC, Health would also be able to compare spend across jurisdictions”

BvW Global agrees to this approach as it will deliver immediate benefits to the Health jurisdictions by (1) getting their data ready for the NPC, but also (2) being able to revisit their sourcing strategies and suppliers contractual agreements. This will lead to quick wins and dollars savings.

BvW Global participated in suppliers’ forums and much of the suppliers’ difficulties had to do with manual UNSPSC classification, the specific knowledge effort and the time required to classify internal data. With that obstacle removed with the Intelligent Classifier, Health jurisdictions and suppliers alike are now ready to take the first step in electronic communication, document, and information exchange.

BENEFITS OF USING UNSPSC

The service BvW Outsourcing provides through its Intelligent Classifier allows organisations to establish a common UNSPSC language. Currently, Health jurisdictions either use the supplier codes or their own code to classify data. Using the UNSPSC hierarchical coding structure will establish a common products and services structure to all trading partners.

The UNSPSC coding structure is made up of 5 levels, although 4 levels are mostly used. Here is an UNSPSC Classification Example

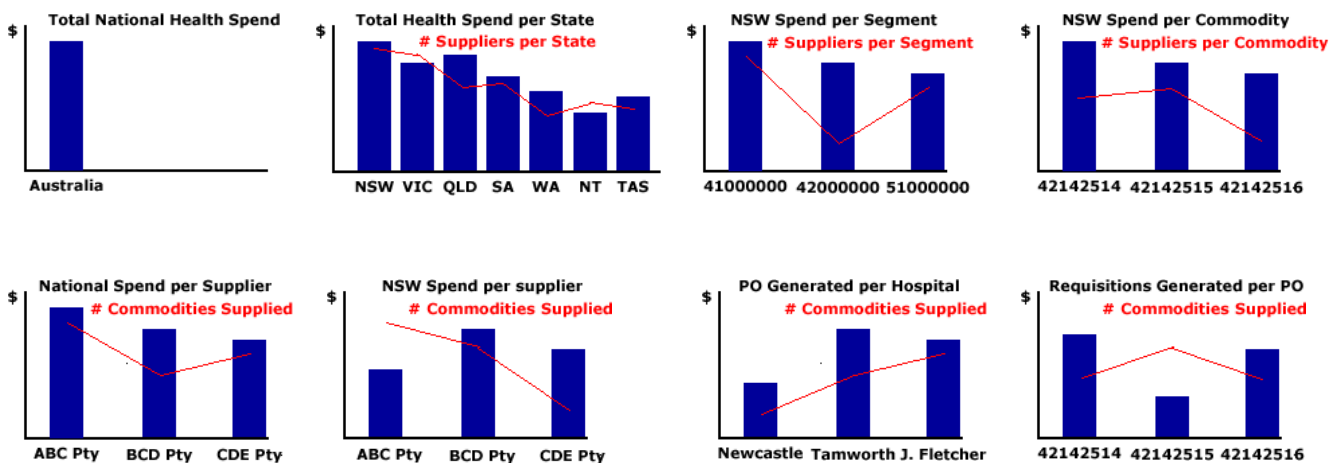
Segment >> Medical Equipment and Accessories and Supplies >>> 42
Family >> Patient care and treatment products and supplies >>> 42 14
Class >> Injection and aspiration needles and accessories >>> 42 14 25
Commodity >> Spinal trays or needles >>> 42 14 25 14

Here is an example of what a typical internal coding system covers. As you see, there is no common structural language in a Typical Internal Coding System.

Typical Internal Coding System (Req, PO colour, volume... omitted)						UNSPSC Classification with Intelligent Classifier			
ItemID	Descript.	Brand	Supplier	Supplier Item Code	AHS Item Code	Segment	Family	Class	Commodity
1A18131	NEEDLE, SPINAL 25G X 90MM	SPINOCAN	XYZ PTY LTD	4505905	71993	42	14	25	14
Health Jurisdictions and/or Suppliers provides BvW Outsourcing: <ul style="list-style-type: none"> Generic Product Description (min) Complete Catalogue Information (for complete spend analysis and strategic sourcing) Format (xls, txt, csv) 						BvW Outsourcing will process your data with its Intelligent Classifier; and return the relevant UNSPSC code. The NEEDLE SPINAL 25G X 90MM will have a corresponding UNSPSC code of 42 14 25 14 Hierarchical structure allows easy spend analysis classification			



Once the classification is delivered from BvW Outsourcing, your internal team can assess and analyse the data internally, or request BvW to generate reports on your behalf. Here are a few sample reports that we can provide your organisation if BvW were to perform the spend analysis on your behalf.



Additional reports include:

- Spend by Department
- Spend by Segment, Family, Class, Commodity
- Suppliers by Segment, Family, Class, Commodity
- Requisitions by Supplier, Segment, Family, Class, Commodity
- Purchase orders by Supplier, Segment, Family, Class, Commodity
- Invoicing by Supplier, Segment, Family, Class, Commodity
- Contracts by Supplier, Segment, Family, Class, Commodity
- Contracts Compliance within specific hospitals, department, and location
- Price Variances by Supplier by Commodity

Summary

1. Suppliers are encouraged to provide and upload their selected product catalogues using pre-defined templates and load them onto the NPC via GS1.

2. Health jurisdictions benefit from the UNSPSC classification and start building a clearer picture of what is being spent, with whom, and how often. In many instances today, suppliers are still the ones supplying this kind of information back to the jurisdictions.

3. UNSPSC provide a direct way to create visibility and positively impact your strategic sourcing activities. The UNSPSC classification scheme is also

one of the requirements of the NPC. The GPC is also an emerging standards but it is still not mature enough for the Health industry.

4. National Product Catalogue (NPC) requires your products to be classified in either UNSPSC or GPC.

5. The first impact in adopting the UNSPSC classification will eliminate the development and maintenance of your own coding systems. The hierarchical nature of UNSPSC will allow your organisation to group your purchase into logical category structure.

UNSPSC has become the global standard for spend analysis due to its comprehensiveness, granularity, roll-up and drill-down features, language independence, and wide spread adoption.

The Aberdeen Group has been at the forefront of research in Spend Analysis, having spent over three years examining the spend data management strategies, processes, and systems of nearly 200 enterprises, its study shows that the aftermath of spend analysis can bring the following benefits:

Improvement Area	Performance Impact
Material / Services Costs	Reduce costs between 2-12% through informed strategic sourcing
Supplier Management	Eliminate duplicative suppliers
Contract Compliance	Improve compliance by up to 55% Save an additional 7% through the use of contract pricing
Regulatory Compliance	Meet regulatory reporting rules
Inventory Management	Cut excess stocks >50% Lower inventory costs 5-50% Reduce expediting costs.
Process Cycles	Reduce spend analysis project cycles 30-50% Refocus sourcing and business managers on strategic tasks

About BvW Global

BvW Global (BvW) implements solutions for enterprise optimisation. Five divisions cover the services BvW offers clients:

| Consulting | Technology | Resourcing | Outsourcing | Community Solutions |

BvW's philosophy centres on business process mapping, costing and redesign spanning departments from new product development to payment, across people/activities, technology, and organisational structure in order to create leaner and more responsive organisations.

BvW has recently launched a unique solution to radically manage and implement products and services classifications by way of its Intelligent Classifier (IC). The IC is provided as an outsourced service and uses Artificial Intelligence to automatically classify products to worldwide-accepted UNSPSC and GPC standards.

A common and hierarchical coding structure is one of the first steps to assist the Health industry supply chain in savings millions of dollars to the benefit of patient care and medical research.

Related services to the UNSPSC classification BvW can perform for your organisation are as follow:



BvW Global (www.bvwglobal.com) clients include NSW Health, IAG, Microsoft, American Express, and Australia Post.

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