



Summary

Inquiry into Waikato District Health Board's procurement of services from HealthTap

This report outlines the findings of our inquiry into the decision of Waikato District Health Board (Waikato DHB), in 2015, to enter into a contract with the United States-based company HealthTap Inc (HealthTap) to provide “virtual care” services through an online service.

Waikato DHB's contract with HealthTap required Waikato DHB to pay about \$16 million in licence fees over two years. The contract was pitched as a two-year trial of virtual care. Waikato DHB then intended to go back to the market using what it had learned during the trial phase to formulate a more detailed analysis of its needs, followed by a formal tender process.

What we found

Overall, the procurement process Waikato DHB carried out fell well below the standards expected of a public organisation. The failure in the procurement process meant that Waikato DHB could not prove that it obtained the best value from public money.

Fundamental aspects of good procurement that we would expect to see in a procurement of this type, and that were missing, defective, or carried out too late in the process to be effective, include the following:

- There was no formal planning for the procurement before HealthTap was approached. That meant there was no formal identification of business needs, no risk analysis, and no identification of internal or external stakeholders. There was also no documented analysis of the market and what other options might be available. Waikato DHB's former Chief Executive (the Chief Executive) told us that he performed comprehensive market testing at the time of the procurement and that “there were no other credible platforms that met the criteria”. We have not been provided with any documentary records of the market testing or of the selection criteria at the time.
- The Chief Executive made the initial approach to HealthTap about potentially using its services in New Zealand at the request of the Chair of



the Board. This followed a discussion between the Chair and HealthTap's Chief Executive. Early discussions about a possible agreement with HealthTap appear to have been primarily carried out by the Chief Executive. There was no evidence of governance or oversight at this point of the process. No advice was sought from Waikato DHB's legal or procurement teams until after a draft contract had been prepared.

- There is no evidence that, before approaching HealthTap, any consideration was given to the Rules, the specific rules DHBs were required to follow at the time, or Waikato DHB's own procurement policy.
- The business case was deficient. A business case was eventually prepared, but only after negotiations had taken place and a draft contract with HealthTap drawn up. There appears to have been no input into the business case from anyone in Waikato DHB's legal or procurement teams. In addition, the business case was written primarily as a strategic business case for virtual care, rather than as a business case explaining and justifying the rationale for entering into a contract with HealthTap. Therefore, it outlined a rationale for adopting virtual care but included little discussion about how the services Waikato DHB would acquire from HealthTap would align with that rationale or about the costs, benefits, or risks of selecting HealthTap as a provider rather than any other party.
- The procurement plan was also a problem. Like the business case, a procurement plan was not written until after a draft contract had been drawn up. The information it contained on market analysis and the chosen procurement approach (that is, selective procurement) was, in our view, unconvincing. The procurement plan was also never finalised.

There are other problems with Waikato DHB's approach that are perhaps less obvious but that, in our view, contributed to the problems that were encountered after the contract with HealthTap was signed.

These problems included:

- lack of collaboration with other parts of the health sector;
- lack of clarity about what Waikato DHB was trying to achieve and how the associated costs and benefits would be measured; and
- lack of oversight of the project after the contract was signed.

Given the nature of the project and the Board's own questions and concerns about it, we consider that greater oversight of the project, whether at Board level or through some other form of governance structure, was warranted.

Why good procurement is important

Good procurement principles and the rules that support them are not simply requirements for their own sake. They help guide an organisation to make good procurement decisions that provide the best outcome for the public.

It is important that New Zealanders have trust and confidence that the public sector makes good decisions on their behalf and is being a good steward of its resources. Being able to demonstrate through a good procurement process that those decisions have been well made supports that trust and confidence.

The events described in this report are now in many ways historical. However, there are important lessons about a good procurement process that can be learned and applied to other procurements in the public sector – in particular, when seeking to be innovative.

Innovation in the public sector is important. It can lead to new and better services for the public and more efficient ways to deliver current services. However, when public organisations seek to innovate, it is all the more important to respect the disciplines of good procurement. Innovative service delivery and good procurement practice are not mutually exclusive.