

THE *BUYSMARTER* JOURNEY: OUR SUCCESSES THUS FAR

SUMMER 2018

REIMAGINE  HHS
BUYSMARTER

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WHAT IS **BUYSMARTER**

BUYSMARTER is a transformative, data-driven initiative leveraging the collective purchasing power of the U.S. Department of Health and Human Services (HHS) to secure lower prices, achieve operational efficiencies, and generate cost savings on goods and services.

BUYSMARTER uses Artificial Intelligence (A.I.) technology to analyze departmental requirements based on current HHS-wide spend data. This helps identify opportunities to consolidate contract vehicles across agencies within HHS to leverage overlapping requirements at a significant cost savings for the federal government.

BACKGROUND

The Office of Management and Budget (OMB), which serves the President of the United States in overseeing the implementation of his vision across the Executive Branch, released Memo M-17-22 requiring each agency to submit a reform plan identifying proposals to improve the efficiency, effectiveness, and accountability of their respective agencies and their programs. Additionally, each agency was to develop an analytical framework that examines how the activities of the agency align with its mission.

HHS'S RESPONSE TO M-17-22: *REIMAGINE HHS*



To address OMB Memo M-17-22, HHS brought together more than 150 thought leaders from across the agency for a two-week period in May 2017 that resulted in the establishment of *ReImagine HHS (RHHS)*. *RHHS* is a multi-year transformation effort, led by HHS staff, enabling the Department to address today's toughest challenges while meeting administration and OMB requirements to reorganize the Executive Branch. HHS submitted its agency reform plan on September 11, 2017, and continues to coordinate with OMB. Ideas from the HHS Ideation workgroup members have evolved into *RHHS*'s six strategic shifts, one of which is *Generating Efficiencies through Streamlined Processes*.

As part of the *RHHS* effort, it was recognized that HHS acquisition functions and policies are complex, fragmented, and inconsistent across the Department, leading to redundancies and a lack of transparency. This inefficiency causes overspending on products and services and suboptimal purchasing functions across HHS.

As a result, the Department recognized the value of government-wide contracts for common goods and services to save money, to avoid wasteful and redundant contracting actions, and to free up acquisition staff to accelerate procurements for high-priority mission work. Additionally, HHS committed to and established a new HHS-wide initiative — **BUYSMARTER**. The initiative goal is to help modernize HHS purchasing activities to gain efficiencies, eliminate redundancies, and obtain significant cost savings by leveraging HHS’s consolidated bargaining power to gain economies of scale and standardize pricing for products and services for \$24B in the HHS-wide annual spend.

PAVING THE WAY

In addition to advancing the objectives of OMB M-17-22, **BUYSMARTER** aligns with the President’s Management Agenda (PMA), specifically addressing Cross-Agency Priority (CAP) Goal #7: Category Management - Leveraging Common Contracts and Best Practices to Drive Savings and Efficiencies. The PMA suggests federal agencies leverage common contracts, meaning they share in contracts that get the best value for taxpayers, in order to buy common goods and services as an enterprise. This approach reinforces **BUYSMARTER**’s objectives to eliminate redundancies, increase efficiency, and deliver more value and savings from federal acquisition programs.

RHHS is the primary vehicle for HHS to implement PMA goals. HHS efforts related to CAP Goal #7 will be evaluated using industry best practice metrics, including savings, common spend through contract solutions, reduction of duplicative contracts, small business utilization, and training the workforce. Success means that the government overall will not only optimize the stewardship of taxpayer dollars, but will also improve mission outcomes.

Furthermore, **BUYSMARTER** is aligned with PMA CAP Goal #6: Shifting from Low-Value to High-Value Work. The PMA suggests that federal agencies shift time, effort, and funding currently spent performing repetitive administrative tasks with the objective of achieving no new net burden annually. This goal will be evaluated based on the improvement of the return on investment of central-management guidance to federal agencies and the reduction of unnecessary costs and compliance requirements within individual agencies.



BUYSMARTER supports CAP Goal #6 in regards to acquisitions, procurement, policy, and systems by leveraging blockchain and robotic process automation to streamline the acquisition process; eliminate unnecessary and outdated acquisition policies and requirements; and reduce the burden on HHS. This in turn will allow employees to focus their efforts on more high-value mission critical work. The PMA provides an opportunity to highlight **BUYSMARTER**’s progress, while explaining how HHS is leading the way in government reform.

ADVANCING HHS STRATEGIC PLAN

BUYSMARTER is also advancing the HHS Strategic Plan FY 2018 – 2022 Goal 5: Promote Effective and Efficient Management and Stewardship. The strategic objectives of Goal 5 include:

- Ensuring responsible financial management
- Managing human capital to achieve the HHS mission
- Optimizing information technology investments to improve process efficiency and enable innovation to advance program mission goals
- Protecting the safety and integrity of our human, physical, and digital assets

In support of Goal 5, **BUYSMARTER** strengthens and modernizes financial systems and practices and targeted investments to improve accountability, reporting, and decision making, which will lead to cost savings and efficiencies, improving how HHS manages its public funds.

The overarching objectives of **BUYSMARTER** are to:

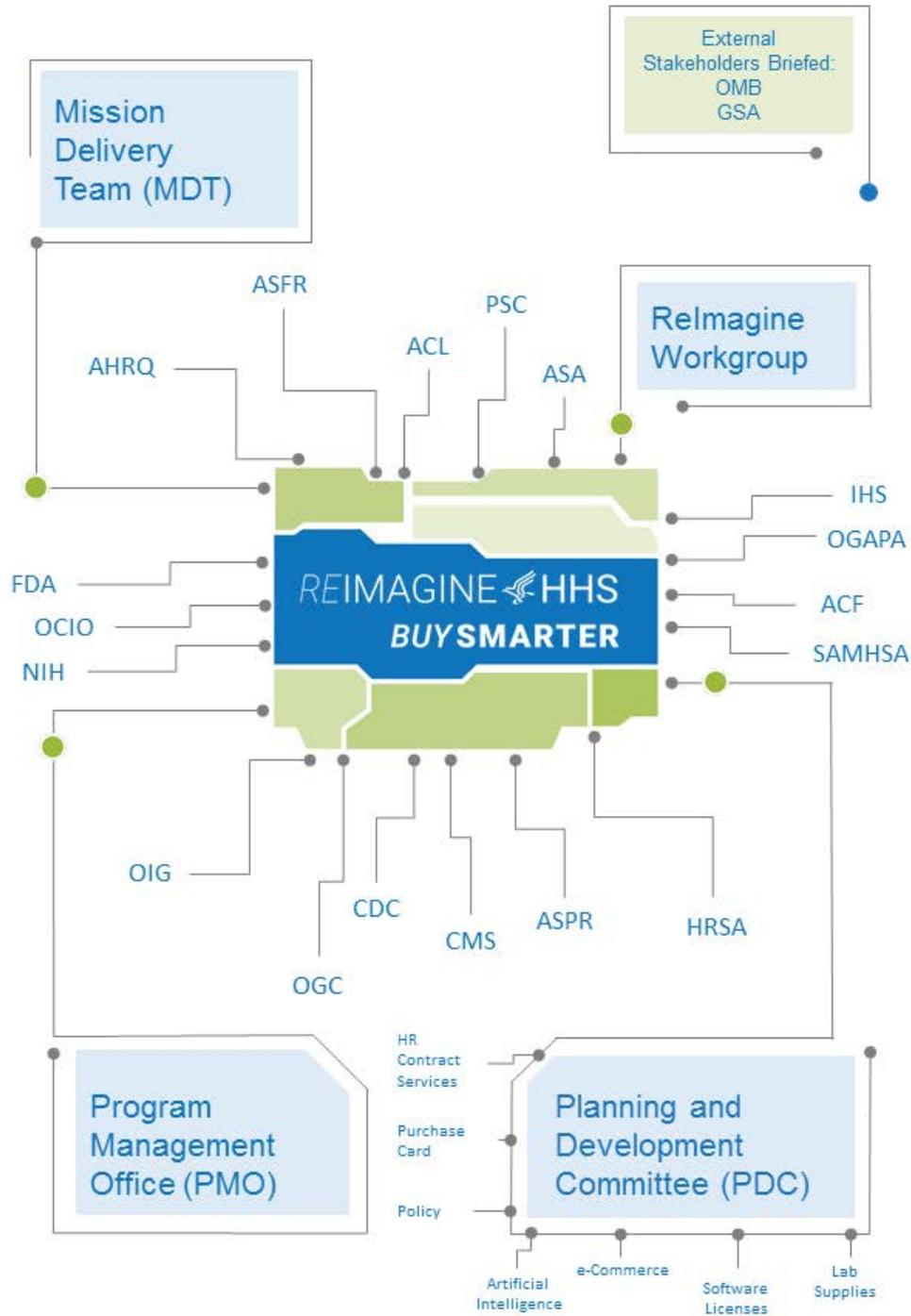
- Realize cost savings by leveraging the enormous purchasing power of HHS
- Enhance and streamline the end-to-end procurement process by utilizing new and emerging technologies such as blockchain, Artificial Intelligence (A.I.), and robotic process automation
- Establish a cohesive, cross-HHS acquisition organization, which operates transparently, efficiently, and effectively
- Encourage competition as an incentive for **BUYSMARTER** to reduce spend and control life-cycle costs

COLLABORATION ACROSS HHS

*THE **BUYSMARTER** INITIATIVE HAS ENGAGED AGENCY STAKEHOLDER GROUPS TO 'FORGE' THE SOLUTION THAT BEST SERVES THE HHS MISSION*

To streamline the purchasing process on common spend and position HHS to be a cohesive organization, it is critical that **BUYSMARTER** is communicated in a manner that supports open dialogue and meaningful collaboration, rather than fostering unnecessary fears and restrictions.

THE **BUYSMARTER** STAKEHOLDER 'FORGING' MODEL





The success of **BUYSMARTER** depends on organizational change management, relationship building, which includes trust and collaboration, and proper infrastructure and policies. Stakeholder input and solutions are the power behind **BUYSMARTER** and the initiative

has embraced this collaboration, which is evident across the initiative in a number of different areas:

- **BUYSMARTER** facilitates a significant collaborative partnership among the Heads of Contracting Activity (HCAs) within HHS. While the HCAs met regularly, they were initially focused on their individual agency’s priorities. Today, they are working collaboratively as a cohesive Planning and Development Committee (PDC) and are focused on larger HHS needs.
- **BUYSMARTER** has established seven Integrated Process Teams (IPTs) to date, one of which is the Software License IPT. This IPT is comprised of **BUYSMARTER** PDC members working alongside representatives from the Office of the Chief Information Officer within HHS in a partnership to leverage our A.I. technology and streamline acquisition efforts to support HHS’s fulfilment of the MEGABYTE Act of 2016.
- **BUYSMARTER** partners with the Office of Grants and Acquisition Policy and Accountability within HHS at every step to ensure ideas and recommendations are supported by existing HHS policies and practices, while identifying existing policies that HHS may need to revisit to modernization our efforts.
- **BUYSMARTER** collaborates across the *RHHS* effort by joining forces with *RHHS’s Moving to a 21st Century Workforce* Workstream – Maximize Talent initiative. This joint effort will enable **BUYSMARTER** to conduct its first IPT focused on services, with co-leads from the Maximize Talent initiative to find approaches to streamline human resource service contracts for significant cost savings.
- **BUYSMARTER** has designed and implemented an expedited acquisition process to help HHS accomplish mission objectives during crisis situations.

NIH ISDP Program



An example of a group purchasing organization that already exists at National Institutes of Health (NIH), a component of HHS, is the Information Systems Distribution & Procurement (ISDP) program. The ISDP program acquires and delivers discounted software to NIH and HHS personnel. ISDP leverages large-volume purchasing agreements to secure significantly discounted prices for its customers.

The ISDP program has become a case study that clearly demonstrates the potential impact of leveraged buying by the Department. HHS spends over **\$320M** on software that fits in the ISDP scope but only **\$68M** of that spend is currently directed towards the ISDP vehicles. ISDP was able to save its customers **\$40M**, which is nearly **60%** savings for the same 19 software types compared to current GSA pricing under their improved Enterprise Agreements.

Without the HHS-wide purchasing power through ISDP, the Department would pay:

- **250%+** more for SAS (in several cases, much more)
- **50 to 100%** more for Adobe
- **100%+** for SPSS

This alone gives irrefutable proof of the potential magnitude and impact of **BUYSMARTER** and its influence on the entirety of HHS purchases of supplies and services in the future.

BUYSMARTER OPERATING MODEL

*THE **BUYSMARTER** OPERATING MODEL IS A UNIQUE APPROACH THAT BRINGS BUYING AGENCIES TOGETHER AROUND EACH OF THE TEN GENERAL SERVICES ADMINISTRATION (GSA) PRODUCT AND SERVICE CATEGORIES*

A recent analysis of acquisition activities across HHS by the **BUYSMARTER** Program Management Office revealed how the current procurement model includes individual agency acquisition offices make similar and, in some cases, identical procurements independent of one another. This has resulted in significant redundancy and missed opportunity for HHS to capture cost savings related to economies of scale.

The new paradigm of acquisition that **BUYSMARTER** recommends will not be a simple change or tweak over existing acquisition processes. Rather, it will create a new, transformational structure of how HHS agencies acquire their goods and services together. **BUYSMARTER** seeks to initiate a process to assess, evaluate, coordinate, and develop a full-spectrum HHS acquisition strategy that streamlines the entire buying lifecycle, by considering and validating each activity, function, condition, requirement, and output in support of HHS and divisional operating requirements (i.e., the HHS mission).

BUILDING THE FRAMEWORK

BUYSMARTER integrated components align to build an operating model in a group purchasing organization (GPO) framework that utilizes the latest technology to make buying decisions based on current and accurate data and innovative end-to-end acquisition processes. A GPO is an organization that is created to leverage the collective purchasing power of its members to secure lower prices, achieve operational efficiencies, and receive cost savings on products and services purchased.

Prior to the work of **BUYSMARTER**, HHS acquisitions have primarily occurred within each agency's acquisition group or are routed through federal shared service providers, such as the Program Support Center, or other shared platforms and government-wide acquisition contracts. The result was a complex, fragmented, and inconsistent acquisition function across HHS, leading to redundancies and a lack of transparency. This in turn results in overspending on products and services and suboptimal purchasing functions across HHS.

BUYSMARTER is building the Department’s capacity to collectively negotiate for better value, improve terms and conditions, and acquire the appropriate levels of inventory without compromising missions or requirements for mission-critical goods and services — nor quality or speed of delivery. Additionally, **BUYSMARTER** improves the customer experience by leveraging e-commerce platforms and A.I. tools that make the jobs of HHS employees easier and more mission focused.

By organizing acquisition requirements across HHS, **BUYSMARTER** offers acquisition solutions such as shared acquisition vehicles where various agencies can achieve volume discounts. Additionally, the acquisition resources saved by pursuing a single vehicle for multiple acquisitions with matching or similar requirements will realize a significant cost savings for HHS. By identifying those common spends and establishing shared acquisition vehicles on an e-commerce platform, HHS can reduce redundancies, eliminate waste, and decrease storage requirements as it perfects this modern acquisition strategy.

Modern technology tools:

- Artificial Intelligence
- Data Layer
- Blockchain (Distributed Ledger Technology)
- Machine Learning
- Natural Language Processing
- Robotic Processing Automation
- Predictive Learning

METAMORPHOSIS OF GOVERNMENT TECHNOLOGY

*INNOVATIVE TECHNOLOGIES ENABLE THE **BUYSMARTER** MODEL TO OPERATE IN A HIGHLY EFFECTIVE MANNER*

Recent market research has revealed a number of opportunities where the federal government is able to capitalize on private sector advancements in technology to offer more agile and responsive solutions to the procurement process. In the private sector, goods are procured in ways that were unimaginable just a few years ago with rapid ordering, paying, and delivery of goods at speeds never thought possible. Advancements in A.I. and robotics (e.g., bots and other process automation tools) are opening doors to enormous potential for the automating of acquisition processes and practices.

LEVERAGING MODERN TECHNOLOGY

The time has come to leverage modern technology tools to analyze departmental requirements based on current HHS-wide spend data and identify opportunities to consolidate contract vehicles

across agencies. The move to using innovative technology in the acquisitions process is necessary to take advantage of overlapping requirements at a significant cost savings to the government and to streamline and modernize acquisition practices. These technologies can be scaled to serve all parts of HHS in a group purchasing environment.

For the first time ever, an entire government department’s (i.e., HHS’s) contracting data is in one database, logically structured upon federal category management guidelines. Natural Language Processing (NLP), an A.I. tool, was used to assess all of the contract language and data in order for the team to ‘teach’ the tool how to restructure the data into a logical ‘drill down’ from general categories to specific products/services and their pricing.

BUYSMARTER will leverage HHS ACCELERATE, which implemented a best-in-class, blockchain-facilitated data layer for data intake, cleansing, structuring, sharing, and the building of microservices.

Other potential **BUYSMARTER** technology innovation opportunities include:

- **Process Automation and Cognitive Delivery – Distributed Ledger Technology (Blockchain)** – A flexible mechanism to offer services and multiple kill points throughout the project; this smart approach eliminates connections with financial systems to allow for testing and evaluation to take place in a risk-free manner
- **Commercial Platform** – A method to leverage a commercial marketplace for technology platforms to streamline the acquisition process, offering best value, decreased operational costs, and support for migration to a cloud platform
- **Purchase Card (P-Card) Integration** – Smart integration with a commercial platform is an opportunity to reshape the way the federal government executes micro purchases — a \$10,000 threshold — which will reduce workload and significantly decrease single-click point-of-purchase pricing

Through **BUYSMARTER**, HHS will leverage scalable and shareable contracts with private sector vendors of goods and services to establish vehicles for purchasing as well as with new and emerging technology providers to develop, deliver, and maintain e-commerce platform capabilities for hosting categories and types of goods and services for ease of access. Definitive terms and conditions to afford just-in-time delivery will be negotiated within each contract agreement. This precludes the necessity for large-scale, on-site inventory maintenance and independent shipping agreements.

97,400+
CONTRACTS
REVIEWED



1,000,000+
PAGES

For the first time ever, an entire department's contracting data is in one database, logically structured based upon federal category management guidelines.

A Sample of HHS Wide Contract Data for 18 Months (FY 2016-2017)

Product/Service	High	Low	% Difference
VMware vSphere	\$1,028.00	\$571.00	80%
Case Copy Paper	\$59.41	\$27.00	102%
Automated External Defibrillator	\$2,627.00	\$946.00	178%
RN Services	\$96.20	\$42.00	129%
Adobe Connect (500 Seats)	\$18,149.00	\$4,309.00	322%

WHAT WE ANALYZED: A.I. PROOF-OF-CONCEPT DATA

- Analyzed **18 months of HHS-wide spend data** through an A.I. tool to give never-before visibility into HHS-wide goods and services spending
- Developed an **overview of current spending**, including top categories and vendor fragmentation
- Determined **initial savings hypotheses** based on category benchmarks
- Calculated **efficiency ratios** across agencies within HHS and compared them to the internal efficiency benchmark
- Conducted **initial business-case analysis** to focus on understanding current purchasing fragmentation and potential inefficiencies of the current acquisition function (e.g., initial spend analysis, initial acquisition function review)
- Conducted **additional validation and implementation** (e.g., detailed spend analysis, detailed acquisition function review)

WHAT WE FOUND: POTENTIAL POWER OF **BUYSMARTER**

BUYSMARTER will enable HHS to:

- **Realize cost savings by leveraging the enormous purchasing power of HHS**
 - Once **BUYSMARTER** is fully implemented, HHS can expect to achieve significant cost savings of at least \$720M on an annual basis. This amount is based on initial projections even at the most conservative estimates, with greater savings being achieved as we work through our roadmap for each category.
- **Enhance and streamline the end-to-end procurement process by utilizing new and emerging technologies**
 - **BUYSMARTER** will take advantage of the latest technology to provide data-driven collective purchasing power that improves operational efficiencies to revolutionize government acquisitions. To achieve this end, **BUYSMARTER** will leverage HHS ACCELERATE, which uses blockchain and other emerging technologies. Additionally, **BUYSMARTER** will support meeting HHS goals for spend under management and utilization of best-in-class contracting vehicles.
- **Establish a cohesive, cross-HHS acquisition organization, which operates transparently, efficiently, and effectively**
 - Through **BUYSMARTER**, HHS will leverage scalable and shareable contracts with private sector vendors of goods and services to establish vehicles for purchasing as well as with new and emerging technology providers to develop, deliver, and maintain e-commerce platform capabilities for hosting categories and types of goods and services for ease of access. Definitive terms and conditions to afford just-in-time delivery will be negotiated within each contract agreement. This approach precludes

the necessity for large-scale, on-site inventory maintenance and independent shipping agreements. **BUYSMARTER** will also enable the Department to negotiate more favorable terms and conditions and realize improved efficiencies and flexibilities Department-wide.

- **Encourage competition as an incentive for *BUYSMARTER* to reduce spend and control life-cycle costs**
 - ***BUYSMARTER*** will establish an e-commerce platform that will drive competition and leverage a commercial marketplace for technology platforms to streamline the acquisition process, offering best value, decreased operational costs, and support for migration to a cloud platform.

Imagine a future for federal acquisitions where an entire department within the government works together and operates as one. **This is *BUYSMARTER*.** The future is now.