

## Position Paper

April 2023

# The Roadmap to Optimal Health Care Supply Chain Modernization in Ontario

## Recommendations to Supply Ontario – April 2023

### Background

Medtech Canada – as the national association representing the medical technology industry in the country – advocates for a robust, resilient, and reliable healthcare system through the continued adoption of medical technologies. From enabling basic patient care to the most complicated medical interventions, Medtech Canada members are here to support Canadian healthcare.

In health care, procurement is the activity that can drive strategies and processes to acquire medical technologies and other products and services. Currently, there is no consistent model for procurement across Canada – let alone in Ontario itself – nor a consistent set of procurement policies or practices. The result is a complex

procurement landscape for healthcare in Ontario, which historically has not optimized the taxpayer dollar spend, ensured the best patient outcomes, or created an ideal business climate.

Medtech Canada strongly supports Ontario’s move to a centralized procurement agency as first announced in the November 2020 Fall Economic Statement. Government healthcare purchasing and supply chain models should include a central entity that sets and enforces overall policy to create consistent, streamlined and standardized approaches, terms, conditions, and standard practices. As our members are both suppliers and customers of the procurement system, our association has developed perspectives on what we see are key principles of success in health care procurement at Supply Ontario.

## RECOMMENDATIONS

### SHORT-TERM PRIORITIES

- a) Engage with key stakeholders in the health system supply chain & procurement landscape
- b) Assign governance and promote transparency over the management and finances of purchasing organizations
- c) Elevate supply chain functions to a strategic level, while gathering and sharing more data to better forecast demand
- d) Support competitive markets

### MEDIUM-TERM PRIORITIES

- a) Streamline and standardize procurement approaches to ensure consistency in proposal and contract terms and conditions through centralized policy and management
- b) Address policy issues
- c) Ensure that clinical and health sector input and expertise is integrated into any healthcare procurement initiatives

### LONG-TERM PRIORITIES

- a) Leverage category management and advanced procurement methodologies to optimize value and outcomes while managing overall cost
- b) Link procurement to economic development



## SHORT-TERM PRIORITIES

As Supply Ontario continues to ramp up its operations and develops a strong foundation for a multi-year transformation, Medtech Canada recommends the consideration of the following immediate priorities.

### **a) Engage with key stakeholders in the health system supply chain and procurement landscape**

Supply Ontario, the provincial government, the medical technology industry, hospitals, purchasing groups and other key stakeholders must work together to achieve an optimal system for supply chain and procurement in Ontario. The medical technology industry is a global sector that has both significant experience in this space and has visibility to best practices from jurisdictions around the world.

Supply Ontario should set up ongoing collaborative forums to engage with the medical technology sector, as well as with other key stakeholders in the health care supply chain and procurement landscape in Ontario.

### **b) Assign governance and promote transparency over the management and finances of purchasing organizations**

In a publicly funded health care system, it is critical to have a central entity, Supply Ontario, ensuring government and broader public sector activities operate

with due regard for economy and efficiency, and whether procedures to measure and report on the effectiveness of programs and organizations exist and function properly. This is known as the ‘value-for-money’ mandate. These checks and balances will ensure taxpayer dollars are rightfully spent.

### **c) Elevate supply chain functions to a strategic level, while gathering and sharing more data to better forecast demand**

Canadian healthcare systems require an “all-hands-on-deck” approach to bring about long-term, sustainable changes to the supply chain. This will require buy-in from senior-level decision-makers committed to a strategic view that results in meaningful change across the country.

A resilient supply chain will require communication among multiple stakeholders to ensure flexibility and better planning for category demand.

There would be significant value in sharing real-time data with vendors, and having vendors share with government, as this integration of data will only help with demand shock in the future, ultimately allowing medical technology companies and governments to better predict trends in needs and forecast demand. This, along with data in critical areas such as waitlists, is an essential tool for assessing how well the supply chain is delivering the right products, at the right time, to the right people.

### **d) Support competitive markets**

High-level stakeholders and government must engage with suppliers from Canada and around the world on a semiregular basis, to remain attuned to fluctuations – such as the port and rail disruptions recently seen in British Columbia and Quebec, the rising cost of shipping containers from overseas, and the shortage of microchips.

It is also important to advocate for open markets as supply chain resiliency almost certainly includes an important role for the United States. Policies to ensure manufacturing and distribution in Ontario must still be compliant with international law and be able to withstand accusations of protectionism.

Further, it would be beneficial to ensure that long-term, multi-year contracts are designed with sufficient flexibility to accommodate off-cycle costs driven by shortages

in raw materials and component parts, shipping delays, and other unexpected drivers of increased demand or insufficient supply. In the absence of these conditions, it will become increasingly hard for Canada to compete on the global stage.

## MEDIUM-TERM PRIORITIES

### a) Streamline and standardize procurement approaches to ensure consistency in proposal and contract terms and conditions through centralized policy and management

An ideal procurement model should include consistency and accountability in requests for bids processes, contract terms and conditions and practices. A collaborative process between suppliers and providers with central oversight could present an excellent opportunity to review and refine current templates and standards that could be used across the province for future procurements. This reduces red tape and would save time and money for all parties involved, including the government and/or purchasing organization and is a more responsible use of taxpayer dollars. Also, and importantly, it would support a legally compliant business environment and encourage collaboration.

Additionally, procurement governance should include a Third Party Oversight which would allow all stakeholders an objective environment to review process, resolve disputes, get robust feedback and debrief on procurements, and to ensure fairness, transparency, and accountability for all parties.

### b) Address policy issues

The lack of policy consistency at both the federal and provincial levels is a significant challenge. Improvements in policy can result in dramatic cultural change. This is particularly true about collaboration, and the need for stakeholder involvement in areas such as data access/ analytics, and structural issues related to the adoption of innovation and advanced procurement approaches. It is possible, as in Europe, to introduce legislation for best value and outcome focussed procurement without being overly prescriptive. As well, warehoused product in the supply chain could work if there are prime vendors working under a clear policy environment, with scheduled audits and strong inventory management. Government

oversight can play a role in ensuring there is shared risk when securing sufficient inventory for hospitals and group purchasing organizations.

### c) Ensure that clinical and health sector input and expertise is integrated into any healthcare procurement initiatives

Medical technologies are used for the delivery of patient care and for creating workflow and resource efficiencies and savings in the health care system. These technologies—some simple but many complex—should not be contracted without the purchaser having an elevated understanding of how those technologies affect patients and the overall health care system. Significant and robust clinical input and participation is essential.

This expertise will evolve, grow and sustain itself through a system where medical technologies are procured, and contracts created with health care supply chain expertise and input from dedicated clinical professionals.

Procurement for clinical products used by health care providers should be initiated and managed by personnel with sector-specific knowledge and should include clinical input and choice. Comprehensive early market engagement and market assessments should be conducted regularly to understand new clinical development and improved technologies.

## LONG-TERM PRIORITIES

### a) Leverage category management and advanced procurement methodologies to optimize value and outcomes while managing overall cost

Procurement for health care products or solutions should be conducted through a model which maximizes the value received from the use of public funds. Ideally, procurement should employ different tactics and approaches to allow for clinical choice and the varied impact of medical technologies to the clinician and the overall system. Value and outcomes focussed methodologies should be considered when the products affect short and long-term patient outcomes, patient or caregiver experiences or health care system costs.

A more expensive device may be a higher price and cost but may save on drug expense, staffing, time required

in ICU, or other costs. Some products will reduce the length of stay or patient recovery time or allow patients to return to work sooner. Some technologies reduce the risk of infections, pain, or scar tissue for a patient. Some products or solutions may not even be considered in our current system because they are alternatives to the current offering and are unknown.

The impact of technologies and solutions on patient care and on the health care system is critically important in a publicly funded system and, by assessing the scenarios and using value and outcomes focussed procurement techniques and expertise, greater results, both fiscally and clinically, could be attained.

The supply chain cannot deliver greater value unless and until funding allocation is revised. At present, annual budgets are dedicated to silos and low-price policies at the point of procurement. As a result, they actively disincentivize upfront investments in lifesaving technologies. The continued transformation of the RFX/procurement process should be done in the context of value-based procurement, which requires an understanding of cost over distance and time, including manufacturing and logistics, facility workflow and resource allocation, as well as the costs incurred throughout the treatment journey. Clinical and operational outcomes must also be factored in as a top priority.

#### **b) Link procurement to economic development**

Procurement should strategically link healthcare spending to economic development targets and initiatives. This would ensure that the significant investment made by taxpayers into the support of the health care system contributes to the development of the national medical technology industry and overall economy.

#### **Conclusion**

As the Ontario Government moves towards “centralized” procurement via Supply Ontario, a significant opportunity for improvement exists, particularly in health care. By working with key stakeholders, including suppliers, to reform procurement, there can be implementation of strategies and models which enhance and improve patient care, save money in the health care system, and grow the economy in Canada.

Medtech Canada is an ideal partner-of-choice to system leaders addressing the global supply chain crisis and improving overall healthcare procurement. Through leveraging partnerships and embracing collaboration, Medtech Canada is committed to working with a wide range of partners from all orders of government and every corner of Canadian healthcare systems to support Supply Ontario’s success and long-term resiliency.



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#### **ABOUT MEDTECH CANADA**

Medtech Canada is the national association representing the medical technology industry in Canada. Our association advocates for achieving patient access to leading edge, innovative technology solutions that provide valuable outcomes. Our members are committed to providing safe and innovative medical technologies that enhance the quality of patient care, improve patient access to health care, and help enable the sustainability of our health care system. The medical technology industry in Canada employs over 35,000 Canadians in approximately 1,500 facilities across the country