



## Position Paper

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# The Strategic Role of Procurement in Driving Economic Development in the Medical Technology Industry in Canada

### Introduction

Canada's medical technology sector supports the delivery of health care by producing life-saving devices, diagnostics, and solutions that enhance patient outcomes. In addition, Canada's medical technology industry is also a significant economic driver, creating jobs, fostering innovation, and stimulating local economies.

The medtech sector in Canada provided an economic impact of \$13.7 billion in 2023 and is a major source of high-quality employment, supporting 88,394 full-time equivalent (FTE) positions across Canada. While this is significant, with targeted actions such as those highlighted in this paper, Canada's medtech sector can experience tremendous growth and become a world-leading jurisdiction for innovators

Given the scale of federal, provincial and territorial health spend, approaching \$10,000 for every Canadian, or an aggregate of over \$400 billion, medical technology procurement is not merely a logistical or operational function; it lends itself to being a strategic lever that can significantly influence economic outcomes.

### Context - Health Spending and Procurement Practice in Canada

Public sector procurement in real dollar terms equates to about 15 per cent of Canada's Gross Domestic Product (GDP) and health-spending comprises the lion's share of that spend. As such, actionable strategies for leveraging procurement as a tool to achieve economic growth objectives across Canada are a significant opportunity for our country.

Provincial governments in Canada have not systematically used health care buying power as a policy lever to encourage innovation or encourage economic development priorities that are aligned with broader government priorities. Typically, governments have preferred to use supply-side measures such as tax incentives and grants to achieve these measures.

Public procurers are very focused on the need to provide value for money when using taxpayer dollars, however, the other elements associated with health care procurement—the ability to foster innovation, an improved standard of living for Canadian patients, and economic development priorities—often take a backseat.

Provincial governments in Canada — most of whom either have or are in the process of developing life sciences strategies with a goal to grow the medical technology sector in each province — need to understand and incorporate the important and strategic role that procurement plays in those efforts.

### Unleashing Canada's Health Technology Spend in Support of Economic Development Priorities

Health spending has historically been focused on short term solutions to long-term problems, and the result has been a lack of supplier-procurer collaboration, hyper focus on price rather than value, and procurements that don't serve patient needs and/or deliver on government and health system priorities.

Public procurements are driven by the necessary requirement to demonstrate value for money, often understood to be lowest cost. The challenge with this approach is a lack of focus on long-term value or value beyond immediate purchase-price. Long-term value considerations such as patient outcomes, system efficiency, or local economic benefits are not always considered — or if they are, only at a minimum. Demonstrating these broader benefits requires evidence, robust data systems, and evaluation capacity.

The decentralized nature of Canada's health system—both in structure and funding—is a final and not insignificant factor in aligning health-spending with economic development priorities. Provinces, territories, and individual health authorities have different levels of responsibility for procurement functions within provincial health care systems. Greater emphasis should be placed on the need for alignment between federal, provincial, and regional procurement practices to avoid fragmentation. For the Canadian government and provinces to capitalize on existing health care spending to support economic growth, as well as patient care, they need to use procurement as a tool to make sure that we can achieve both goals. Doing so will better serve Canada's provinces and the federal government—and most importantly, Canadian workers and Canadian patients.

### Recommendations

By modernizing procurement practices, governments and public procurers have an opportunity to contribute to the development of a procurement system that better supports the health needs of Canadians in all corners of the country, while growing a sector that is of critical importance to Canada's economy.

The following tools are ways procurers could practically assist governments in their efforts to achieve these goals:

#### 1. Procurement Process Adjustments: Include Economic Impact as an RFP Evaluation Criteria

When a procurement entity issues a request for proposals, to ensure fairness and transparency, the purchaser sets evaluation criteria (e.g., cost, quality, experience, sustainability). Because not all criteria are equally important, each one is given a weight (a percentage of the total score). The result is, when proposals are scored consistently and the appropriate evaluation criteria are utilized, the supplier with the best *overall value* — not just the lowest price can be chosen.

##### Recommendation:

In RFPs, while value to patients and to the healthcare system should always be prioritized in scoring, procurers could include local economic impact as a scored criterion alongside cost, quality, delivery (amongst others).

#### 2. Supplier Engagement: Request for Information (RFIs) & Market Sounding

RFIs are sometimes issued to understand supplier capabilities, pipeline products, and readiness. For example, in the National Health Service (United Kingdom) market engagement sessions for surgical robotics or diagnostic imaging devices are a regular occurrence giving suppliers early insight into potential tenders and requirements from procurement entities. By becoming an early adopter of innovative medical technologies, Canada can strengthen its position as a globally competitive jurisdiction—attracting investment, fostering industry growth, and enhancing the resilience of our health care system.

##### Recommendation:

As much as possible, procurement entities should utilize Request for Information and Market Sounding techniques to properly gauge market capacity and ability to respond to unique and changing requirements.

#### 3. Industry and Government Partnerships: Innovation Partnerships/Pre-Commercial Procurement

Medical technology companies have the ability to co-develop products with other companies, with the primary aim being to meet health system needs and respond to unique population health requirements of different jurisdictions across the country. These types of industry-government partnerships can contribute to economic development aims, as they are often undertaken in partnership with local medical technology or life sciences ecosystem incubators and they often utilize local components, researchers and facilities.

*Example: The now former Alberta Health Services innovation branch has worked with Canadian SMEs in digital health and diagnostic devices through pilot programs to test products in real clinical environments before scaling.*

**Recommendation:**

Procurement entities should foster partnerships with industry and utilize pre-commercial procurement approaches that support the development of local economies and life sciences ecosystems.

**4. Strategic Supplier Relationship Management (SRM)**

Strategic Supplier Relationship Management (SRM) is a structured approach to managing relationships with suppliers that are critical to operations, innovation, cost control, and risk management. Unlike a one-size-fits-all approach, SRM prioritizes key suppliers to build stronger, more collaborative partnerships.

**Recommendation:**

Procurement entities should work with the supplier community to classify suppliers into categories (e.g., strategic, preferred, transactional,) and engage top-tier medical technology suppliers through regular business reviews (e.g., quarterly, bi-annually). This approach helps both suppliers and procurers better understand each other's needs and pressures, reduces risks, and supports long-term supply chain stability.

Embedding SRM into medical technology procurement would also allow procurement entities to involve other government partners beyond the health sector (such as economic development ministries). This would provide suppliers with clearer insights into provincial priorities, while helping governments align health care procurement with broader economic development strategies.

**5. Value-Based Procurements**

Procurement entities should adopt a value-based approach to procurement. This means the goal of a procurement process is to achieve the best overall outcome for the health system and patient. A component part of "best overall outcome" should be how a procurement opportunity contributes to economic outcomes/priorities of a procuring jurisdiction.

One opportunity worth considering is a contractual approach that ties payment to performance (e.g., surgical success rates, reduced length of stay etc.), these approaches are often referred to as "risk sharing agreements".

**Recommendation:**

Procurement entities should adopt a value-based approach to medical technology procurement and should include consideration of provincial and federal economic development priorities.

**ABOUT MEDTECH CANADA**

Medtech Canada is the national association representing Canada's medical technology companies. 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 systems.